

REVOR & SONS Consultants

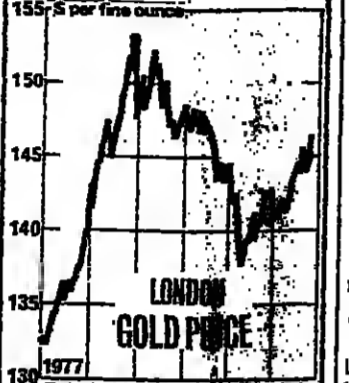
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SUMMARY

BUSINESS

Dollar weaker; equities rise 5.7

DOLLAR was under further pressure, touching a record low against the West German mark.



GOLD rose \$1.50 to \$146.75, boosted by the weakness of the dollar.

EQUITIES were up 5.7% on the FT 30-Share Index closing at 437.2, up 5.7.

WEST GERMANY has run up an increased trade surplus in the first half of this year.

GOVERNMENT has provided another \$100m. for Leyland.

PRICES Secretary, Mr. Roy Hattersley, said his officials were discussing with the Price Commission whether the fall in potato prices was being adequately reflected in the price of frozen chips to the consumer.

INSTITUTIONS have fixed a meeting in mid-August with the chairman of Fairway to discuss the profit setback and excess borrowing.

POWELL DUFFRYN plans a one-for-four rights issue at 135p to raise \$6.6m.

ACROSS THE CHANNEL... Japanese motor manufacturers have reluctantly agreed to meet representatives of the British industry in Tokyo on that, as in the car sector, the September 6 after heavy pressure for talks on limiting Japan's rapidly rising commercial vehicle sales in Britain.

Table with columns for company names and share prices, including Oxley Printing, Powell Duffryn, etc.

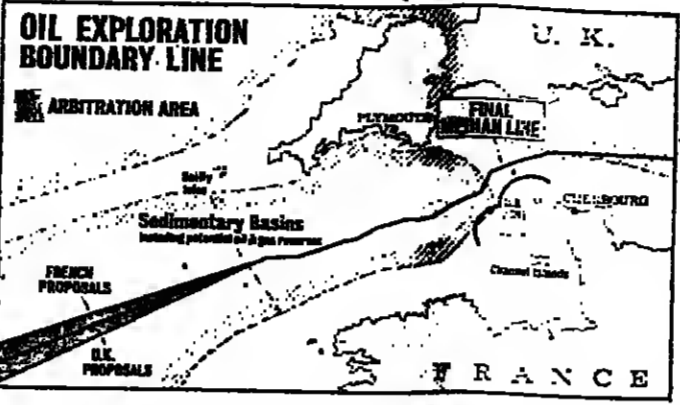
Table with columns for company names and share prices, including Race for airliner of the Nineties, etc.

Table with columns for company names and share prices, including Japan, etc.

U.K.-French accord on Channel oil share

BY RAY DAFTER, ENERGY CORRESPONDENT

The way has been cleared for a major oil exploration programme in the English Channel and the Western Approaches.



After a 13-year dispute between the U.K. and France, an international arbitration court has settled the course of the median line between the two countries.

Both countries say they are satisfied with the outcome. The French Government said it had obtained a much larger area of the Atlantic region than Britain was prepared to accept in the earlier discussions.

The area around the Channel Islands is not expected to create much oil, interest, anyway. The Energy Department indicated that the geology of the area suggested the U.K. zone might be exploited only for its sand and gravel deposits.

CBI warning over 'phoney' productivity agreements

A CAMPAIGN to stop companies and self-financing productivity schemes, the CBI says, is being launched by the Government.

Japan to discuss van sales

BY CHARLES SMITH TOKYO, July 25.

JAPANESE motor manufacturers have reluctantly agreed to meet representatives of the British industry in Tokyo on that, as in the car sector, the September 6 after heavy pressure for talks on limiting Japan's rapidly rising commercial vehicle sales in Britain.

This initiative from London has been accompanied by contacts at official level between the Department of Trade and the Japanese Ministry of International Trade and Industry.

Behind these developments are fears in Britain that the domestic commercial vehicle industry will come under similar pressure from Japanese manufacturers to that created by Japanese car imports two years ago.

Table with columns for features and other pages, including Race for airliner of the Nineties, etc.

Multi-fibre talks end in disagreement

BY DAVID EGLI GENEVA, July 25.

DESPITE intense last-minute efforts, international negotiations here have failed to produce an agreement on new rules for world trade in textiles after the end of this year.

But a U.S.-backed compromise proposal kept alive hopes of averting a chain reaction of protectionist measures, with little effect for world trade, when the present arrangements expire at the end of December.

Tax indexation accepted

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AMENDMENTS stipulating that any allowance that he thinks personal tax allowances should fit the cost of living were allowed to remain in the Finance Bill in the Commons.

It was clear, however, from the remarks of Mr. Joel Barnett, Chief Secretary to the Treasury, and Mr. Dennis Davies, Minister of State, that the Government may decide to opt out of indexation when the matter comes up at the time of the spring Budget.

MPs face suspension

By Richard Evans, Lobby Editor

MOVES to invoke severe penalties against Mr. Reginald Mandling, the former Home Secretary, and Mr. Albert Roberts, Labour MP for Northampton, for their links with Mr. Paulson were launched by a senior MP last night.

The danger for Mr. Mandling, who intends to challenge vigorously the select committee verdict that his conduct was inconsistent with the standards expected of MPs, is that the amendment comes from such a senior and respected statesman.

Advertisement for Knight Frank & Rutley with a grid of office locations: EC2 940 sq. ft. Wilson St., EC2 1,920 sq. ft. close Finsbury Sq., EC2 20,000 sq. ft. close Moorgate, EC3 1,350 sq. ft. St. Mary Axe (off), EC3 1,400 sq. ft. Lime St., EC3 1,700 sq. ft. Fenchurch St.

Vertical text on the left edge: pension, 2.0bn. ques, 00 for away or, Jones, the miners' returned to the week-end after asylum in East remained until 7 by Willesden, London magistrates, had been arrested at court on Sunday for bail set on June 23 charge of issuing the Granwick picket, to Barnett Mackinvolves the Grun and a further reaching his own, Thames Valley been asked by Sent set up an inquiry of police threats and his family, Parliament, Page 12, desert e holds, announced by at on Monday night holding after six Western desert of the Egypt-Libya said yesterday that the fresh clashes, Aitken Beaverbrook, Aitken, 25, joint director of Beaverbrook, severing the last link between the and Beaverbrook, Mr. Aitken, former Max Aitken, former of the Board in to receive about the loss of office. Mr. nation follows the over by Trafalgar, Page 8, hospital rdered, that voluntary is being lodged ected with drugs will at Friern Hos, North London, are ated by the health -The allegations that as disregarded the in a confidential North-East Thames is Authority, boycott lack students boy, in the Pretoria teridgeville, The led with a studen nny in Korea, will be a consultant in Iran rather than return to U.K. industry at present. Page 9. Men and Matters, Page 14, fidence, to be increas that it can win of its Common s for its demand thermo-nuclear should be built at laboratory near Page, a hit Taiwan kill ple, Mr. Force transport of 33 civil servants -free-growing coun- and injuring 12, nson, who founded lege, Cambridge, iff, has given the r 27m. Page 37, as been offered a free loan towards ritish spares and nus, the Commona ational Malcolm Ala Hutton are from Far East hary reasons, n deployed its amy in the areas fared after the n. Page 4, 50 people in th-West Frontier, CHANGE YESTERDAY, unless otherwise cated, ISSES, 80, 290, +11, 380, +25, +1, 78, +7, 285, +9, 134, +7, 530, +7, 46, +6, 226, +6, 46, +10, 850, +3, 44, +3, 75, +3, 315, +12, 57, +3, 32, +4, 132, +7, 102, +1, 29, +3, 228, +6, Oxley Printing 241 + 21, Powell Duffryn 123 + 7, Reston Natl. Glass 196 + 7, Regrolle Parsons 189 + 5, United Scientific 186 + 8, Vesper 123 + 7, Willis Faber 250 + 10, Attok Oil 112 + 14, Oil Exploration 258 + 20, Sibona (U.K.) 178 + 6, Ultramar 230 + 40, Assam Frontier 230 + 40, Cons. Gold Fields 157 + 6, Coronation Syndicate 53 + 5, Kloof Gold 370 + 17, Libson 333 + 17, SIC Investment 205 + 5, Wankie Colliery 33 + 3, FALLS, Broken Hill Prop. 310 + 20, Streliffe Speakman 34 + 3, MEM, 176 + 10

A Bellini for Birmingham

by DENYS SUTTON, Editor of Apollo

Two Finnish operas

These days a successful new opera, one that draws sizeable audiences to its teeth or 20th-century performance as well as to its first, is rare. A first opera that is successful or even only partially successful in another sense—an opera in which the relationship between music and libretto is necessary rather than casual, in which the composer's command of stagecraft is practical rather than only idealistic—is rarer still. So the two Finnish operas that together made up two-thirds of the Opera Festival at the Savonlinna Opera Festival are a justifiable amount of local pride for both at first sight and, more so, after last week's several performances on from their première; both continue to win substantial houses; and both, at the very least, on a single viewing, work.

It must be said that they work, and are successful, in different ways and on different levels. *Raisa* (The Horseman) by Aulis Sallinen (b. 1934), commissioned for the quarter-century of Olavinlinna in 1975, is an ambitious, or best powerfully expressive work that one guesses capable of communicating its dark Northern fascination to a wider audience than only Olavinlinna's Viinmeiset Ensemble. Sallinen's (b. 1931) seems by comparison less rough-hewn, customary, he then worked over the surface, giving it those imitable touches that could only come from his exquisite brush. The head of the donor is by another name: a reasonable assumption that he did not live in Venice out on terra firma.

The history of the Cornbury altarpiece can be traced back to the 17th century and it is mentioned by Bellini in his *Le Heros*. It had been in England at least since 1801 and belonged to two famous 19th-century collectors, Dawson Turner, a friend of Colman, and the fourth Earl of Ashburnham, before being acquired by Vernon James Watney in 1869.

The Gallery has until the end of September to raise the money for the picture. Would it not be a good idea if it was placed on view at the National Gallery for a fortnight? Even the Minister of Art and the Treasurer or two might take the time to go and look at it!

The Entertainment Guide is on Page 42

of painting during the Renaissance. The master provided the idea for the composition and when the first draft, as it were, had been undertaken by a studio assistant, as was then customary, he then worked over the surface, giving it those imitable touches that could only come from his exquisite brush. The head of the donor is by another name: a reasonable assumption that he did not live in Venice out on terra firma.

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Paintings by Bellini, as hardly requires saying, are of immense rarity and the opportunity that a comparable picture could ever again be acquired is remote. This particular picture is not only an enchanting composition in its own right but of singular significance for the history of the Venetian school, one that has been admired in this country since the days of James L. The painting, signed and dated 1505, was painted when the master was about 70.

One of the most endearing aspects of the picture is that it illustrates Bellini's ability to combine simplicity and sophistication. What could be more charming than the naturalness of the Virgin and Child! A concern to heed light and mood and a desire to seek the new formal solutions were being used to engage the attention of the younger generation. The especially distinguished it shows Cornbury altarpiece announces the world of Giovanni and Titian. Evidence of Bellini's eagerness to enrich his composition with fresh devices may be observed in the way in which he has painted the double, which across the pavement. This is pointed out by Peter Corbary, who has written a useful booklet on the painting. Bellini is one of the most subtle painters of the Venetian school. He had the gift to be quite the master of the rhythms. Here he has the landscape with a delectable foreground of figures formed by the clouds, the relationship with that of the sculpture on the throne on which the Virgin is seated. This is a work that quickens the heart with its wondrous evocation of the Venetian atmosphere.

The picture is also interesting from a technical point of view, for it sheds light on the practice of painting during the Renaissance. The master provided the idea for the composition and when the first draft, as it were, had been undertaken by a studio assistant, as was then customary, he then worked over the surface, giving it those imitable touches that could only come from his exquisite brush. The head of the donor is by another name: a reasonable assumption that he did not live in Venice out on terra firma.

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Bellini: Madonna and Child with Saints and a Donor

Grande Parade du Jazz by KEVIN HENRIQUES

Cimex Gardens and times, venue and personnel. Then, armed with cameras, recording equipment and their own quenching equipment, they shuttled between the three locations. Biggest was the main arena stage, also the most complete and modern. At the other end were the three smaller stages, each with its own band, and in the foreground, a group of families straggled out for the evening. Earl Hines, grass and piano, Dave Brubeck, their all-time irresistible children Basile played several and their totally irresistible dogs, minute sets over a while. At the third and smallest stage most fans had to stand. After savouring seven consecutive evenings of this vertiginous parade of the most interesting and most venturesome of the whole Parade must inevitably be completely personal and of the music. But one fact is certain: the Thad Jones-Mel Lewis big band is the most creative, most exciting, the most interesting and most venturesome of the whole Parade must inevitably be completely personal and of the music. But one fact is certain: the Thad Jones-Mel Lewis big band is the most creative, most exciting, the most interesting and most venturesome of the whole Parade must inevitably be completely personal and of the music. But one fact is certain: the Thad Jones-Mel Lewis big band is the most creative, most exciting, the most interesting and most venturesome of the whole Parade must inevitably be completely personal and of the music.

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blues-singer / violinist/guitarist. Yet in this totally relaxed, sun-blessed atmosphere there was some grating moments. The more modern styled Clark and the influential local residents Bryan, Zoot Sims and Ray and the nearby hospital. Drummer J. C. Heard, out of solo piano half-hour before the jazz bluelight for many months, was pre-emptorily stopped after only a handful of rhytm numbers. As Charles Mingus himself angely and showing the outspoken Negro bassist and trumpet delights were the ever probing, never coasting "Joe" Czebanczak and the crystal-toned Orleans who was almost the only artist to remember where when he was and announce his programme in French.

There was the striking, bugle-voiced Carrie Smith who runs the gamut from Bessie Smith's "Empty Bed Blues" to pop standards like "Sometimes I'm Happy" with equal facility. Ears were also pinned back by the strong deep sound of tenor saxist Arnet Cobb who, despite physical disability, plays with amazing mobility.

Greatest interest among many visitors centred on the re-appearance in Europe after a long absence of the almost legendary Cab Calloway, whose major contribution to jazz were the big bands he led in the 1930s and '40s. A dynamic, flamboyant personality the 65-year-old Calloway pleased the lovers of the show with the inevitable "Minnie the Moocher" and it ain't necessarily so" from Porcy and Bess in which he starred.

Most of the musicians and singers were American but Sweden, Italy, France and Britain were also represented. Britain sent six leading players of whom Tony Coe (or, as he was invariably introduced, "Coo") on tenor sax and a clarinet made the biggest impact with, among others, Barney Bigard and "Gatemouth" Brown, as well as being a frequent participant in the imprudent after-hours sessions in two Nice hotels.

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Martti Taltva

Some of Britain's big performers are really quite small

Companies of all sizes received The Queen's Awards for Exports and Technology this year, from an industrial giant with over 50,000 employees to companies with fewer than 16. These Royal Honours are among Britain's most coveted industrial awards. And many companies have found benefits from the prestige associated with winning.

So if you think that your company may qualify, don't hesitate to apply. The only requirements are that you should be UK-based and have made outstanding achievements in either Exports or Technology.

To receive your application form and full details about the 1978 Awards, simply complete the coupon below and send it to The Secretary, The Queen's Awards Office, Williams National House, 11/13 Holborn Viaduct, London EC1A 1EL. Tel: 01-222 2277.

Name			
Name of Company			
Address			
Exports/Technology/Both (delete where appropriate)			
The closing date for return of applications is 31 October, 1977.			

Wigmore Hall Anton Weinberg

Since his London debut four years ago, Anton Weinberg has made a reputation for himself as one of our most talented young solo clarinetists—a frequent performer on Radio 3, and a lively champion of new music for his instrument. Earlier this year Weinberg went to Russia, and brought back a number of scores and records not previously heard in the west, three of which he included in his recital on Friday night.

Two were substantial: the most interesting, a short, pungent sonata in two movements for solo clarinet by Edison Denisov—the first, a lode melody, by turns dark and thoughtful, quiet and shrill, moving for the most part by intervals of less than a minor third, often by quarter-tones, a slow-shifting pattern of colour and timbre; and an urgent spiky finale, returning obsessively to quiet more-like motto on a single note. A sonata for clarinet and piano no. 2 op.62 by Frid—presumably a Soviet composer, not the Hungarian Géza Frid (it was announced that no biographical details were known or available)—was a more conservative offering: a solid, well-written essay from the school of Shostakovich.

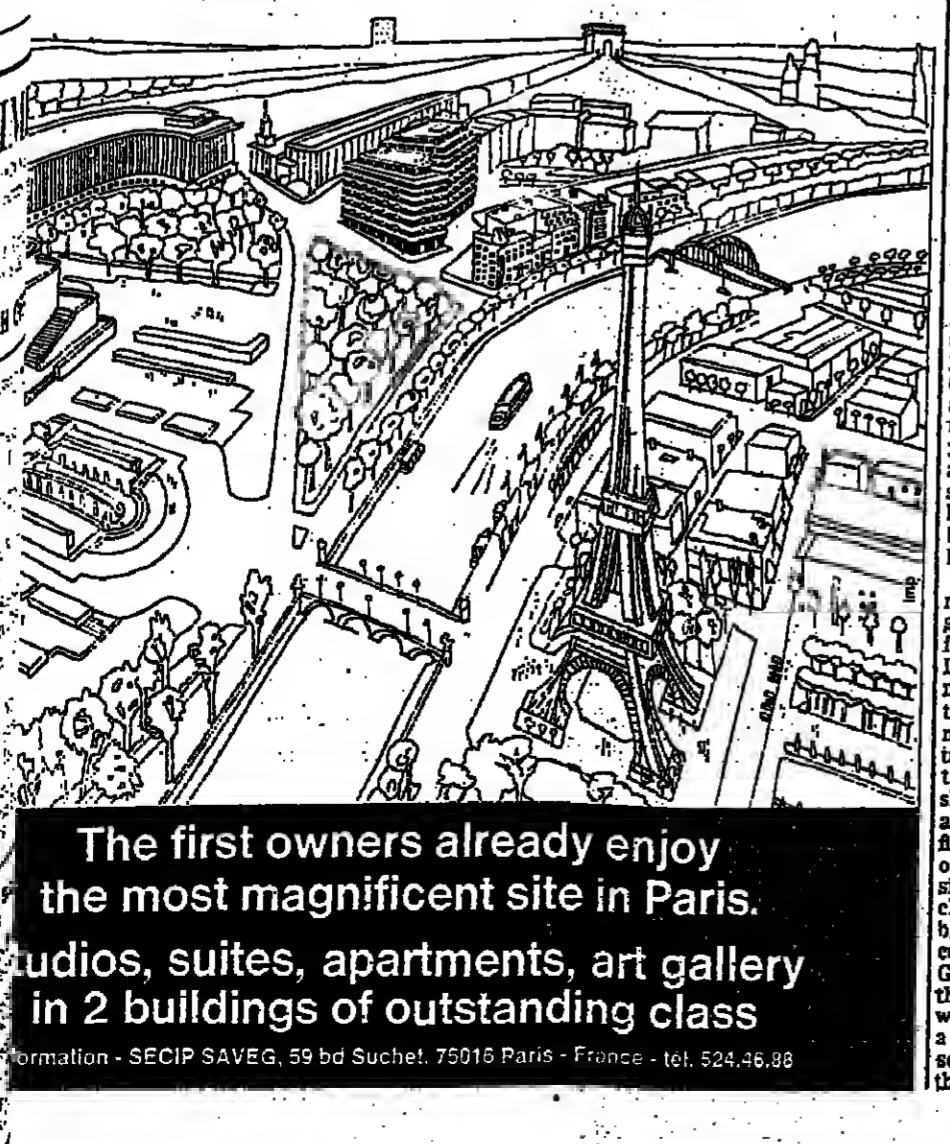
Weinberg also included a group of salon pieces in his programme, which he delivered with great sparkle and charm—the first performance in the west of an Étude on the theme of Rimsky-Korsakov by the Russian clarinetist Mostras, and a Romance and Valse by Giletti. A new piece too by the young British composer Philip Wilby, *Solo for clarinet*, made a strong impression: a study in timbre and attack which introduced new techniques easily and self-consciously without any sense of gimmickry. The rest of the evening was given to Brahms (the P minor sonata), Lutoslawski, Mendelssohn (the rarely heard F flat sonata), and to an intriguing arrangement for clarinet and piano by Philip Wilby of the only fragment which survives (a full exposition) of what three bars of development) a tutinet for clarinet and strings by Mozart, known as K516f—persuasive historical reconstruction, lucidly made. Weinberg's accompanist, at the start a shade nervous, rhythmically blunt, but more confident as the evening progressed, was Wendy Nightingale.

overlooking the Trocadero gardens

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EUROPEAN NEWS

OVERSEAS NEWS

Patronat gloom on industrial recovery

By David Curry
PARIS, July 25. FRENCH BUSINESSMEN see hope of the recovery in industry activity for which the Government is hoping in order to encourage companies to take advantage of its scheme to cut youth unemployment.

Embarrassingly good trade surplus for W. Germany

By JONATHAN CARR.
WEST GERMANY'S trade surplus in the first half of this year rose to DM18.4bn, against DM16.2bn in the same period of 1976.

—for a value of DM116.2bn. It is harder to solve urgent economic problems at home like unemployment. In its own review, the Economics Ministry today admitted that the reduction in the number of jobs this year (to 931,000, or 4.3 per cent. of the labour force) has been very largely due to seasonal factors.

Albania 'expels' Chinese experts

By Paul Lendvai
VIENNA, July 25. THE CHINESE experts in Albania, whose number is estimated to be between 1,000 and 2,000, are now reported to have been told by the authorities to leave the country, according to reports from Yugoslav sources.

Tenuous ceasefire begin between Libya and Egypt

By MICHAEL TINGAY
CAIRO, July 25. A CEASEFIRE announced last night by Egypt's President Anwar Sadat appeared to have taken effect to-day after six days of fierce clashes on both sides of the Libyan-Egyptian frontier in the Western Desert.

NFU head hits at EEC critics

By REGINALD DALE, EUROPEAN EDITOR.
SIR HENRY PLUMB, president of the National Farmers' Union, yesterday called for political support and enthusiasm for the EEC, and in particular for the Common Agricultural Policy.

understandable deficit of the first two years of adaptation to new patterns of imports," he went on to say. "The CAP needed the support of strong regional, social and economic policies, he said. "It will take time and patience. Who but a fool would expect nations, eight of them so recently at war, to behave like a united front of directors in so short a time?"

Begin blames tensions in U.S. relations on Labour policies

By DAVID LENNON
TEL AVIV, July 25. MR. MENACHEM Begin, Israel's Prime Minister, to-day attacked the U.S. Labour Party's policy of "social imperialism" while the Prime Minister was still in Washington.

Hungary attacks Carrillo

By Our Own Correspondent
VIENNA, July 25. THE HUNGARIAN Communist leadership, which has up till now taken a relatively moderate line on Eurocommunism, has for the first time publicly criticised the Spanish Communist Party.

Portugal plan debate 'postponed'

By DIANA SMITH
LISBON, July 25. SOURCES close to the minority Socialist government indicated at the weekend that parliament would end its specially-extended July session at the end of this month, instead of carrying on into August.

Rise for 700,000 Swedes

By WILLIAM DULLFORCE
STOCKHOLM, July 25. THE 700,000 local authority employees in Sweden have obtained an average pay increase of 10.8 per cent. after months of protracted negotiations.

Pretoria schools boycott

By QUENTIN PEEL
JOHANNESBURG, July 24. THOUSANDS of black school students boycotted their classes in the Pretoria township of Atteridgeville to-day, and black consciousness organisations appear to be stepping up their campaign against the South African authorities.

Malaysia: bombard guerillas

Malaysian artillery blasted jungles in Borneo, southern Thailand and Malaysia and Thai troops advancing in a joint anti-Communist guerrilla operation, Reuters reports from Bangkok. Military officials said troops had advanced about 30 miles deep into a large slice of jungle in Malaysia, while fighting on a border out on the Thai-Cambodia border. Military sources reported eight Thai soldiers killed, UPI reports.

Sri Lanka calms down

By K. K. SHARMA
COLOMBO, July 25. THE SMALL Sri Lanka army of 18,000 men has been deployed in six areas where violence flared after the general election on Thursday to help police maintain order. The situation to-day was considerably more stable.

Thai fishing deal

Vietnamese gunboats Thai fishing boat kill fishermen, and captured boat in the Gulf of Thailand. The Fish Marketing Organisation yesterday, Reuters reports Bangkok. A spokesman for the incident took place in Thailand territorial waters south of Songkhla.

Danish industry fails to fulfil expectations

Expectations in Danish industry of increased output in the second quarter were not filled and, in the third quarter, output is expected to decline, according to the Bureau of Statistics' manufacturing industry July expectations survey, Hilary Barnes writes from Copenhagen.

David Lascelles reports on Comecons ambitious long term standardisation programme A communist quest for common standards

AS EVERY schoolboy is supposed to know, you have to change trains when you go to Russia because the gauge there is three and a half inches wider than in Europe. Actually this is no longer quite true because new technology enables carriages to be jacked on to different bogies in only a few minutes.

trying to coordinate their activities under the Comecon's ambitious standardisation programme, extending to 1990, is designed to help economic integration in the region as well as improve efficiency. Standards also need to be applied strictly by government in Comecon countries, because of the absence of other pressures, such as market forces, to make manufacturers observe them.

Table with 2 columns: Country, Number of standards published at the end of 1975. Includes Bulgaria (10,180), Czechoslovakia (13,256), Hungary (8,764), Germany (11,000), Cuba (405), Poland (8,970), Soviet Union (20,960), Romania (9,534).

with East Germany—the only country to have anything approaching a proper system. East Germany had inherited the Deutsche Institut für Normung (DIN) system which it still shares to a large extent with West Germany. The other countries had a mixture of international and other standards.

hoping to double the number in 1978. But the number of recommendations made has topped 5,000, which suggests that standards could soon come thick and fast.

Iranian lawyers join dissident campaign for human rights

By ROBERT GRAHAM, MIDDLE EAST CORRESPONDENT
TEHERAN, July 25. A GROUP of Iranian lawyers thinking and national decision-making. The declaration calls specifically for the abolition of all extra-constitutional courts.

The declaration issued on July 25 after a meeting in Tehran held in the main concern is that in guise of promoting reform, the authorities merely making the judiciary even more subservient executive. For instance one bill lines a proposal to set up a commission with members appointed personally with civil and criminal cases concerning crimes involving sums of money, while deal with offences committed by the poorer segments of the population. The reforms would be of lower courts.

ous ceasefire
een Libya and

OVERSEAS NEWS

Somali guerillas capture major Ethiopian town

ES BUXTON



ONFLICT between troops and Somali guerillas in the Ogaden region of south-east Ethiopia...

had some successes against the guerillas. The degree to which regular Somali forces are involved in the conflict is not clear...

Fraser uranium plan eyed by studies

NETH RANDALL

STUDIES ordered by the Government to examine the uranium development policy...

U.S. troops grow on Bhutto participation in new poll

OWN CORRESPONDENT RAWALPINDI, July 25.

icipation of Mr. Bhutto in the new poll is the subject of a court case...

Guinea-Bissau, receiving little Soviet aid, is broadening its contacts with the West. Susan Morgan reports. Developing a parlous economy wracked by war

A CLASSICAL colonial backwater—Bissau, once a slaving post on Africa's west coast, was under Portuguese rule...

Socialist The numbers of young 'amputees'—part of what is dubbed 'the sacrificed generation'...

Over-fishing But the major problem has been with fisheries. The country is a major ally of the Soviet Union...

Reforms A similar state of flux exists on a political level, as the PAIGC tries to turn itself from revolutionary liberation movement...

A BEAST OF BURDEN DOESN'T HAVE TO LOOK LIKE A MULE.



It's only human, after all, to think that useful things can be ugly. And it's only Italian to believe that everything should be as beautiful as possible.

Prices include VAT at 8% and car tax, inertia reel seatbelts and delivery charges (UK mainland), but exclude number plates.

- WHERE TO SEE THE LANCIA BETA RANGE: ENGLAND: Abingdon: Wilson Sample Motors... London: E.S.1. Vehicle Company... Manchester: J.P. Motors...

blames tensions on Labour

schools boycott

calms down

lawyers join in for human

AMERICAN NEWS

Optimism on Venezuelan economy

By Joseph Mann CARACAS, July 25. THE CENTRAL bank of Venezuela, in its mid-year report on the national economy...

Carter tries to reassure the black community

BY DAVID BELL WASHINGTON, July 25. PRESIDENT CARTER, who won reelection last year with the help of overwhelming support from...

blacks and for the cities far exceeded its list of accomplishments. Bill approved by Congress is only...

More steel price rises likely

BY STEWART FLEMING NEW YORK, July 25. IN SPITE of efforts by the Carter Administration to contain the latest increase in steel prices...

ducts after pressure from the Administration led to a reduction from 8 per cent to 6 per cent in the size of the proposed increases...

Resin price-fixing charge

BY OUR OWN CORRESPONDENT NEW YORK, July 25. A FEDERAL Grand Jury has accused four companies, Ashland Oil, Cargill, Inc., Reichhold Chemicals and Reliance University...

U.S. Justice Department has filed a civil anti-trust suit against the companies regarding some of the allegations made by the Grand Jury...

U.S. assures South Korea

SEOUL, July 25. PRESIDENT Carter has assured South Korea, President Park in a letter released today that the planned phase-out of U.S. ground troops...

Call for oil prices watchdog

BY OUR OWN CORRESPONDENT WASHINGTON, July 25. AN INTER-AGENCY Government task force report which is highly critical of past attempts to make major oil companies comply with pricing regulations...

keep a very much closer eye on the activities of the oil companies and a special task force is currently investigating ways to standardise the flood of new reports...

CHICAGO AFTER THE DALEY ERA

Minorities are a major headache

BY DAVID BELL, IN WASHINGTON THE NEWLY elected Mayor of Chicago, who has the enviable task of following the late Mayor Daley's 20-year domination of the city...

of the interconnections between the party and the city it was he assigned to check the names of the latest arrivals on the city payroll...

appointed interim mayor until the June election. He was assigned to check the names of the latest arrivals on the city payroll and he did not forget them...

WORLD TRADE NEWS

Growth of East-West trade slows

By David Lascelles, EAST European Correspondent THERE WAS a marked slowdown in the growth of East-West trade last year...

Korean TV sales already exceed U.K. quota

BY JOHN LLOYD, INDUSTRIAL STAFF THE DEPARTMENT OF Trade, yesterday confirmed reports in a Korean newspaper...

Secretary for Trade, had been received for these but the sets not yet been shipped. The department said that...

French car market recovers

BY DAVID CURRY PARIS. FOLLOWING THE decline in May, which led French car manufacturers to worry whether the market was turning sour...

Federation harvests a grain of comfort for the 5.9 per cent decline in June was not as big a drop as the 17.9 per cent...

Kuwait to sign Bulgarian pact

VIENNA, July 25. KUWAIT AND BULGARIA will sign their first trade agreement before the end of this year...

Karachi port surcharges up

By Ian Hargreaves PORT SURCHARGE levels for Karachi are to be pushed up again as a result of worsening congestion...

Jordan rejects Tarmac quote

RAMI G. KHOURI TARMAC'S ROLE in the \$53m expansion project for the southern port of Aqaba remains in doubt...

that it still is possible expansion project must be back to two new berths...

Table with 2 columns: Item, Value. Rows for EC, OECD, World total, Exports, Imports.

By Bernadine Simons. SOUTH AFRICA. PROTECTIONISM gathers momentum. IN THE WAKE of the EEC's clamp on cheap steel imports...

Contracts

- Construction Metallizing de structure. The entire structure and cladding will be prepared in Britain...

South Africa

BY BERNARD SIMON, IN JOHANNESBURG. THE GOVERNMENT has slapped an unannounced ban on all imports of these products...

Protectionism

THE GOVERNMENT has slapped an unannounced ban on all imports of these products for the rest of the year.

preference levels for lentils are low and are to be moved up significantly. In addition, the survey setting up an 'import merit financing fund'...

Vertical text on the right edge of the page: 'the', 'the', 'of p', 'head re', 'Sales and Pro', 'Product groups', 'and Profits 1976', 'and Profits 1975'

صكمان الصل

"The international strength of the Plessey Group is undoubtedly the most important achievement to arise from many years of painstaking development..."

Sir John Clark, Chairman, in his Annual Review to Shareholders.

Record £94 million exports ahead recovery

Report and Accounts for 1976-77, today, Sir John Clark says:

worst ever business conditions of 1975-76, I predicted 12 months ago took fully throughout 1976-77 and, despite sudden effects of the Post Office inced last November, we ended the year with a strong recovery.

growth continued in the fourth quarter of 1976-77 - the third consecutive year - improving the final pre-tax profit level by 14 per cent for the year, after a substantial higher depreciation and provisions. Return on capital employed was approximately 1.5 percentage points. Sales were 16 per cent higher at £94 million, up by 36 per cent on 1975-76, of which about 50 per cent was derived from international business, either by direct sales to the UK. This is a most encouraging sign for our current business development.

UK export performance was a new record of £94 million, up by 36 per cent on 1975-76. This was a record of £28.2 million exports by communications, £37.3 million by systems, and £28.5 million by UK-based businesses, including which contributed export sales of £10 million. Selling in export markets and we do not, of course, win all the business for which we bid, but against the fiercest competition in the world, I export record in the last two years itself.

Dividends
Our performance in a year when we have had substantial and unexpected provision for which will arise from cuts in Television, that after the deduction of £11 million 'Extraordinary Items' we have been able to pay a dividend for the year at the maximum permitted level. This, however, is to draw on reserves to the total of £360,000. We believe it is a prudent provision for all anticipated contingencies, surplus stocks, dilapidations.

Board's intention to revert to our policy of declaring one interim and one final dividend in respect of each year. This change which is explained in the Report of 1976-77, will be introduced as soon as

reasonably practicable, consistent with the Company's objective of paying the maximum dividend within the Government's restraint policy.

International Strength

The international strength of the Plessey Group is undoubtedly the most important achievement to arise from many years of painstaking development and planning, still not without problems. It is in line with the plans of our Chief Executive to provide a more effective forum for cohesive direction and control, with much shortened lines of communication among top management worldwide. I dealt with the main concepts and objectives of the Chief Executive Office in reporting to shareholders last year and you may like to be brought up to date on progress since that time.

We have pressed forward with our objective to decentralise operations on the basis of a number of product and regional subsidiaries, each capable of matching the equivalent international competition, according to market size, opportunity and product range. We have continued to strengthen our management team. And we are continuing our strategy of 'portfolio balance' to ensure that those businesses we are in offer the best prospects for the Plessey Group as a whole. We have already withdrawn from a number of ineffective product ranges, notably in components, and this in itself has contributed to overall efficiency.

A policy of severe discrimination is being pursued rigorously with a view to attaining the best possible returns in every specialist sector - for which purpose we are carefully balancing our product mix and our relative dependence on various customer bases, such as between the public and private sectors.

Marketing Policy

In short Plessey has become more customer and market oriented and ultimately we aim to reach a position where no business sector is over-reliant on any one customer. To achieve these changes required hard decisions and concentration on those areas which promise success. The Group is becoming more responsive, efficient and competitive and the benefits will accrue progressively.

We have heard much in recent years from the British Government about the need for industrial strategy and planning agreements. The British telecommunications manufacturing industry was

SALES AND PROFITS WORLDWIDE 1976-77		
Sales - £569 Million	£M	%
UK Exports	94	17
Other UK operations	281	49
Operations outside UK	194	34
Pre-tax Profits - £39.6 Million		
UK operations (inc. exports)	21.7	55
Operations outside UK	17.9	45

entitled to believe that it had an effective planning agreement with the Post Office under the 'Modernisation Plan' of February 1973.

It was then recognised by both sides that the move towards new telephone switching technologies would have to take place progressively to achieve an 'orderly and manageable rundown' of manufacture in the labour-intensive sectors of electro-mechanical systems (Strowger and Crossbar). The changeover, which would gradually affect thousands of jobs in the industry, was planned to be phased over more than ten years.

Post Office Cuts

When the Post Office announced, without any prior warning or consultation, its further swingeing cuts in November last year, the cumulative effects of cuts since 1974 caused grave problems for the manufacturing industry. Plessey, as the largest supplier of electromechanical products and with the greatest manufacturing investment in the regional development areas, was obviously hit very hard.

In 1974 we had started to intensify the export drive to offset the effects of earlier reductions in orders and while the Company has had substantial success with the Pentax electronic exchange system - now in service on order from 22 countries - it was not enough to counteract the reduction of work in the labour-intensive electro-mechanical sectors.

Despite four months of talks with Government and the Post Office, in which the manufacturers joined with all the industrial trade unions in a sustained argument against the cuts, no amelioration was offered. By early March, Plessey had no alternative but to issue formal consultation notices, under the Employment Protection Act, covering a total of about 4,800 jobs in the North West and North East. We were able to identify a number of new job opportunities in growth product areas such as TXEA, Pentax and System X, and these of course were offered to the people affected, thus reducing the total surplus. In addition we had to announce the closure of three factories.

We deplore the abruptness of Post Office action, particularly because of the distressing hardship it has caused to a large number of our people in the development areas where unemployment is already very high. We pressed the appropriate Ministers and officials for action to alleviate this hardship, including an independent inquiry into the decision on ordering programmes. We urged changes in Post Office marketing policy, which in our view would stimulate greater use of the telephone network and therefore save some of the jobs inevitably affected.

New Job Opportunities

We examined with the Department of Industry other ideas to create new employment prospects in the development areas, as a result of which we welcome Government support for a new printed circuit board production facility at our factory in South Shields - with 400 new job opportunities in the North East by 1980.

We are taking a long, hard look at future requirements. We have already invested heavily in setting up a new plant at Huyton for the manufacture of TXEA. It is now on stream and

producing new electronic exchanges for the Post Office. We are also playing a leading part in the development of System X. But the most exciting mid-term prospects in the Telecommunications sector are in our own developments of electronic private exchange systems - both in the UK and in North America - for the world's markets.

The Plessey K-1 electronic branch exchange is a stored program controlled private subscribers system designed and developed by Plessey Canada. A digital private exchange system is also at an advanced stage of development by Plessey Telecommunications at Nottingham. In both cases trial installations are already in operation. We hope to launch these potentially powerful new products on to the commercial market before the end of the year.

Balancing the Portfolio

The Company is re-shaping its product portfolio to achieve a better balance between public and private sector markets, as well as in spreading our business across a larger number of technology and customer bases internationally.

During a period of economic recession and transition to new technologies, Plessey has succeeded in developing major strength in electronic systems. We specialise in products for the radar, nav aids, avionics, radio communications, marine and allied markets. Our Electronic Systems businesses are developing strongly and during the year they achieved excellent results, substantially increasing profitability and return on capital employed. The order intake exceeded £180 million. Recognition of our success with exports came in April with a Queen's Award, the sixth to be won by the Plessey Group (four for exports and two for technology).

A large proportion of the new orders for telecommunications and electronic systems incorporate a variety of new products. These will clearly strengthen our position in world markets in the coming years.

The gradual emergence of the US market from

regrets that despite its appeals to Government and the Post Office to ameliorate the effects of their actions, the year-end brought the threat of redundancy to many employees.

United Kingdom

We, in common with other parts of British industry, still face substantial problems in the UK, including current political uncertainties. The business market is depressed, although signs are emerging to indicate an upturn over the next 12 months. The greatest problems are unemployment and inflation. Until inflation is firmly brought under control there cannot be much hope for genuine improvement in overall prospects. This, in turn, depends on the outcome of discussions of Phase III of the Government's pay policy. Unless there is an orderly return to free collective bargaining on salaries and wages - within an environment of mutual interest - we shall lose more than the benefits painfully achieved in fighting inflation over the last two years.

We must, however, restore incentive and this will require recognition of maintaining differentials in pay scales for those with special skills and special responsibilities. We also require real improvement in net income in order to motivate people to work harder and to improve employment and productivity generally throughout the UK.

The tax burden must be reduced. New employment opportunities cannot be created in today's fiercely competitive environment unless industry has the funds to invest. Those funds can only be obtained if investments produce a bigger pay-off than they do now. It does seem at last that there is a wider political acceptance of the need for profit - and that must include the opportunity to improve, trading margins without which returns will become totally inadequate.

Outlook

It has not been my policy to make forecasts. However, I do believe that given reasonable improvement in the economy - and that must

Trading performance quarter by quarter

(in thousands of pounds)

	1976-1977				
	3 months to 30 June	3 months to 30 Sept	3 months to 31 Dec	3 months to 31 March	12 months to 31 March
Sales	129,000	137,900	141,400	160,500	568,800
Profit before taxation	10,255	8,136	9,605	11,585	39,581
Profit after taxation	5,555	4,736	5,905	6,985	23,181
Dividends					11,391
Earnings per share* (in pence)	2.27p	1.86p	2.38p	2.92p	9.44p
Dividend per share (in pence)					4.84p

*before extraordinary items of £11,162,000

deep recession has led to a substantial profit improvement in every sector of the Group's North American business. In particular, our performance in the semiconductor and electronic markets was considerably better than that of the US industry as a whole.

Enormous growth is currently taking place in the Mediterranean and Middle East Region. Oil revenues are being invested in a wide range of industrial products, including telecommunications and electronic systems. Competition is fierce, with almost every major industrial group in the world bidding for business. On the basis of selective specialisation, we are encouraged by our penetration of this important growth market.

In Europe we have substantially increased our business activity and I have already referred to our record performance in Italy. Looking ahead we believe our performance will improve still further as a result of steps taken to streamline our European operation, especially in the private sector market.

People

To everyone in the Group - about 60,000 people across the world - I should like to say thank you for your loyalty and hard work. The Board much

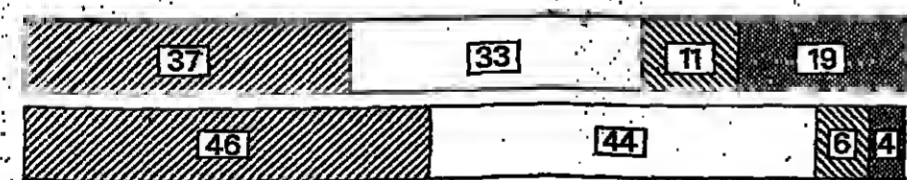
include effective control of inflation - we stand well placed to continue the upward trend achieved last year. We still have some work to do to restore equilibrium in the telecommunications business after the major disruption it has suffered. We shall continue to encounter fierce competition in world markets. But I detect a new confidence among our people to secure the orders and deliver the goods.

I also believe that the policy of the Board to achieve a better balance among our many business activities will help to ensure that we both spread our risks across a larger number of customers and markets, and are better placed to grasp opportunities as we identify them. We began the current year with order books standing at a record level of £600 million, of which £167 million is for UK exports. This gives us a good start in our quest to secure more profitable growth."

John Clark

Sales and Profits Comparison by product groups 1975-1976/1976-1977

Actual Sales and Profits 1976-1977 (%)



Actual Sales and Profits 1975-1976 (%)



Telecommunications and telegraphic equipment
 Aerospace equipment and industrial hydraulic products
 Electronic systems and equipment, including radio and radar
 Electronic and mechanical components

Annual Meeting of The Plessey Company Limited will be held on Thursday, 28 August 1977 at 2.30 pm at 21-24 Millbank, London SW1P 4QP. Copies of the Plessey Annual Report and Accounts and 'Plessey World', an annual report for employees, are available from The Secretary at the Company's registered office, Vicarage Lane, 14AQ.



PLESSEY GROUP

Operating internationally in 136 countries

HOME NEWS

U.K. chief takes job in Iran

Dodsworth, Industry Correspondent

George Turnbull, the managing director of the National Enterprise Board, has just signed a two-year contract with Iran National Oil Co. to act as a consultant to the company.



George Turnbull takes a two-year contract with Iran National Oil Co.

In the past few years, Iran National Oil Co. has expanded rapidly from an output of about 20,000 barrels a day to over 100,000 last year. Within the next few years, it is planning to double that output, having brought a number of new production wells on stream in the past two years.

Company faces Beatrice fish row

By Ray Daffer, Energy Correspondent

MESA PETROLEUM, which plans to develop the Beatrice oilfield in the North Sea, is facing a new confrontation with the fishing industry.

A report commissioned by Mesa confirms that there will be a conflict of interest between the oil and fishing industries. Not only would development of the field mean that fishing grounds but could also result in seabed debris which might damage nets, endanger the crews and cause loss of fishing time.

Pan Ocean ends test of 'successful well'

BY RAY DAFTER, ENERGY CORRESPONDENT

THE PAN OCEAN oil exploration group has finished testing one of the most successful wells drilled in the U.K. sector of the North Sea.

The well was drilled to a depth of 14,000 feet. The first test, conducted beneath the oil-bearing column, produced no gas. The remaining intervals were tested as follows: No. 2 (115 feet) flowed at a rate of 6,549 barrels a day through a 1 1/2-inch choke.

Threat to suppliers—Leyland

INDUSTRIAL TIMES REPORTER

IMPORTANT suppliers of Leyland, which streamlined its component operations last August with the formation of SU/Butec, insisted last night that existing suppliers had nothing to fear, provided they were able to meet the required standards on quality, price and delivery.

Offshore activities prove the most dangerous

BY DAVID FISHLICK, SCIENCE EDITOR

OFFSHORE oil and gas activities are by far the most dangerous of Britain's energy industries in terms of deaths per thousand employees.

Land dealers may broaden base

BY DODSWORTH

A NUMBER of large British holding companies are holding any rival franchisee organizations virtually the only exceptions to the rule in the past have been announced move by the Rover company, taking in a group to take on the Rover franchise.

Little difference

THE REPORT says: "We have been unable to find a conclusive reason why the fishing interests would be better served by this course of action as there appears to be little difference in comparative impacts."

Mesa, a U.S. oil independent, and its partners—which include P & O—have fanned one of the most attractive fields in the North Sea. Although it is relatively small—reserves are unofficially estimated at between 200m. and 500m. barrels—it is close to land, which will reduce the need for expensive platforms and oil transport systems.

THE RIGGS NATIONAL BANK OF WASHINGTON, D.C. announces the opening of its European Office in London on 26th July 1977 at 63 Queen Victoria Street London EC4N 4VA Telephone 01-248 5663

63 Queen Victoria Street London EC4N 4VA Telephone 01-248 5663 Peter A. Knowles, Vice President. The office will facilitate the development of business between the EEC countries and the USA and broaden the scope of the bank's international services

More Home News Page 37

at 25p, up 19p on the day and a rise of 54p since the start of last week.

Other interests in the Brae are Pan Ocean (a wholly owned subsidiary of Marathon), Ashland Oil, British National Oil Corporation, Bow Valley, Canadian Ashland Oil, LL and E (GB) (a subsidiary of Louisiana Land and Exploration), Saga Petroleum, Sunningdale Oils (a wholly owned subsidiary of Kerr-McGee).

FATAL ACCIDENTS TO EMPLOYEES IN THE FUEL INDUSTRIES (DEATHS PER 1,000)

Table with columns for Year, Coal, Gas, Electricity (incl. nuclear), Offshore oil & gas, Oil refining, Nuclear fuel. Data for 1957, 1967, 1976.

'Risk of energy crisis' if nuclear power delayed

BY IAN HARGREAVES

BRITAIN could face an energy crisis worse than anything it has experienced if decisions on the nuclear energy programme are not taken very quickly, according to Mr. Frank Tombs, chairman of the Electricity Council.

ENTERTAINMENTS GUIDE (Cont.) THEATRES: WHITFIELD, CC 01-938 6822-7765. WINDMILL THEATRE, CC 437 6312. WYNDHAM'S 226 3022. CINEMAS: ABC 1 & 2 Shaftesbury Ave. 226 8881. CAMDEN PALACE. CLUBS: GARDIYLE 69, Dept Street, London, W.1. NEW STRIPTEASE FLOORSHOW.

Metropolitan Borough of Sandwell Issue of £20,000,000 Metropolitan Borough of Sandwell 13 per cent. Redeemable Stock, 1985. PRICE OF ISSUE £97 1/2 per cent.

Metropolitan Borough of Sandwell Issue of £20,000,000 Stock at £97 1/2 per cent. NATIONAL WESTMINSTER BANK LIMITED, NEW ISSUES DEPARTMENT, P.O. BOX NO. 78, DRAPERS GARDENS, 12, THROUGHTON AVENUE, LONDON EC2P 2AB.

ENTERTAINMENTS GUIDE (Cont.) THEATRES: WHITFIELD, CC 01-938 6822-7765. WINDMILL THEATRE, CC 437 6312. WYNDHAM'S 226 3022. CINEMAS: ABC 1 & 2 Shaftesbury Ave. 226 8881. CAMDEN PALACE. CLUBS: GARDIYLE 69, Dept Street, London, W.1. NEW STRIPTEASE FLOORSHOW.

ABOOR NEWS

Iaghan Dockers aim to leapfrog Phase Two with 20%

BY NICK GARNETT, LABOUR STAFF

A POTENTIALLY serious threat to the Government's hopes of maintaining the twelve months pay rule and keeping wage rises within its guidelines is coming to a head among sections of the country's 30,000 dockers.

The lead has been taken at Southampton, where dock workers who refused a Phase Two settlement in January are demanding 20 per cent increases from August 1.

One alternative would be a break of the 12 months rule would not be allowed under any circumstances.

Mersey'side dockers, numbering more than 8,000 and three times as many as at Southampton, have again been offered a Phase Two deal...

Smaller companies confused over pay

BY DAVID CHURCHILL, LABOUR STAFF

MANY OF Britain's smaller companies were confused by the collapse of the Government's hopes for a third phase of pay policy and the decidedly vague statements from the Chancellor...

Dismissals law unfair to women says judge

A JUDGE yesterday called for changes in the law which bars women over 60 from seeking protection against unfair dismissal, but can give men that protection up to age 65.

Talks on Plessey sit-in to be held in London

TOP LEVEL talks are to be held in London today in an effort to end a sit-in by 150 women electronic workers, now programme involving 1,400 in its ninth week at the redundant Plessey Telecommunications factory at Kirby, Post Office.

'Sackings over conflict threat'

THE PROSPECT of conflict on the flight decks of helicopters supplying North Sea oil rigs was the main reason that more than 50 striking pilots were dismissed, the dismissal of a pilot who refused an overseas posting.

Much cash on science jobs chief

A chief science officer is being offered a £200,000 salary to head the new Science Council.

30,000,000

aktank Corporation... es due July, 1997

aktank Corporation

es due July, 1997... ment of principal and interest guaranteed by...

akhoe Holding N.V.

terdam, The Netherlands... financing has been arranged privately.

idman, Sachs & Co... New York Boston Chicago Dallas... International subsidiaries: London Tokyo Zurich

Goldman Sachs logo and contact information

APPOINTMENTS

CJA RECRUITMENT CONSULTANTS 35 New Broad Street, London EC2M 1NH

CJA SENIOR TRADER - GILT EDGE SECURITIES LONDON MAJOR INTERNATIONAL FIRM OF STOCKBROKERS

CAMPBELL-JOHNSTON ASSOCIATES (MANAGEMENT RECRUITMENT CONSULTANTS) LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH

WHICH NEWSPAPER HAS WON THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT TWICE?

THE FINANCIAL TIMES

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

ECONOMIST

Hoare Govett Limited, a major firm of stock-brokers, wishes to recruit a young economist.

COMPANY NOTICES

THE RANDFONTEIN ESTATES GOLD MINING COMPANY WITWATERSRAND, LIMITED

PLANT MANAGER

GAS UTILISATION PROJECT DUBAI

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

COMPANY NOTICES

NOTICE IS HEREBY GIVEN that the Registrar of Companies has received...

PERSONAL

YOUR HOUSE can help you and others...

GOURMET

CALLIPOLI RESTAURANT, Off Old Broad Street, E.C.2

WEST RANG CONSOLIDATED MINES LIMITED

COUPON NO. 92. HOLDERS OF SHARE WARRANTS

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS TO BEARER

IN ACCORDANCE WITH clause 17th of the Deposit Agreement dated 17th Sep. 1976...

NOTICE IS HEREBY GIVEN that the Registrar of Companies has received...

CLASSIFIED ADVERTISEMENT RATES

Table with columns: Industrial and Business Premises, Businesses for Sale/Wanted, Residential Property, Appointments, Business & Investment Opportunities, Education, Motors, Contracts and Tenders, Personal, Gardening, Hotels and Travel, Book Publishers.

Premium positions available (Minimum size 40 column cms.) £1.00 per single column cm. extra. For further details write to: Classified Advertisement Manager, Financial Times, 10, Cannon Street, EC4P 4BY.

PARLIAMENT and POLITICS

Varley disclosure surprises MPs Cabinet vetoed lifting of postal monopoly

BY IVOR OWEN, PARLIAMENTARY STAFF

PRIVATE enterprise operators returned to the issue by asking: 'Has the Post Office itself suggested that the monopoly be removed for the duration and area concerned?' This brought Mr. Varley's disclosure that the Post Office had raised the issue of suspending its monopoly powers.

Owen sees 'grounds for pessimism' over Smith attitude

TALKS ON the Anglo-U.S. peace initiative for achieving a settlement in Rhodesia, will resume in London around August 11-12, Dr. David Owen, Foreign Secretary told the Commons yesterday.

Coal Bill suffers defeats in Lords

THE GOVERNMENT was defeated in the Lords yesterday on a Tory proposal to ensure control over NCB working of minerals other than coal.

Callaghan firm on doctors' pay

BY RICHARD EVANS, LOBBY EDITOR

THE GOVERNMENT moved to-and sticking rigidly to it wards a collision course with mouth rule on wage and doctors' pay yesterday.

Minister hints at inquiry into M-way charges

THE GOVERNMENT may inquire into the "seaside launch an inquiry into prices charged at motorway service stations, the Commons heard yesterday, Mr. Robert Maclean, Secretary for Prices, told MPs: "I am considering seriously and urgently the possibility of a reference to the Price Commission."

Lettuce prices 'a racket'-MP

THE SALE of lettuce at 10p to 15p, when farmers were getting called for an investigation of the whole mechanism of lettuce prices, Mr. Robert Maclean, Under Secretary, replied to Mr. Gwyneth Roberts (Lab., Cannock) yesterday.

NEB funds for Leyland

THE National Enterprise Board is to provide further loan funds to British Leyland of up to £100m, Mr. Eric Varley, Industries Secretary, told the Commons yesterday.

Coal Bill suffers defeats in Lords

THE GOVERNMENT was defeated in the Lords yesterday on a Tory proposal to ensure control over NCB working of minerals other than coal.

Procedure reform call by Liberals

THE LIBERALS have come forward with an eight-point plan to overhaul current Parliamentary procedure to enable the Commons to regain a grip on legislation.

Major devolution changes likely

THE GOVERNMENT'S new proposal, Mrs. Williams added, to devolution White Paper, is setting up a Higher Education Council for Scotland and to show a number of major con-

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World Value of the Pound

The table below gives the latest available rates of exchange for the pound against various currencies on July 25, 1977. In some cases, rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

Table with columns: Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling, Place and Local Unit, Value of £ Sterling. Lists various international exchange rates.

COMMONS TO-DAY SITS IN JUDGMENT

Right to discipline MPs an ancient privilege

BY PHILIP RAWSTORNE

FOR THE FIRST time for 30 years, the House of Commons will today sit in judgment on the conduct of two of its own members.

Coal Bill suffers defeats in Lords

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It was an all-rounder adopted by

The Government was well dis-

That part of the French community in Africa formerly part of French West Africa or French Equatorial Africa... The CFA franc has replaced the CFA franc in one unit of the new currency.

Thomas Cook Banker Thomas Cook Travellers Cheque The accepted name for money. Worldwid

The Management Page

EDITED BY CHRISTOPHER LORENZ

The TGWU's use of stockbroking help adds a new dimension to pay claims

landmark for unions and the City

BY MICHAEL LAFFERTY

of a special report the capitalist system, the story of from stock goes.

On the face of it, the 80-page document setting out the Ford motorworkers' 1977 wage claim goes a long way towards being what such critics would like it to be. It pays considerable attention to the company's annual report, it contains an expert analysis of both the historic and inflation-adjusted accounts, it has lots of information about the motor industry, and has plenty to say about conditions of work at Ford. It also contains a profit forecast, which claims that pre-tax profits will be up from £122m. to £200m. in 1977, with sales about one-third higher at £2,200m.

The TGWU was assisted in preparing the claim by the small Trade Union Research Unit at Ruskin College, Oxford, which is financed by the trade union movement. The three-man unit had helped with previous Ford wage claims in 1971 and 1973, and has also done work for the agricultural workers' claims.

The analysis and critique of the Ford 1976 accounts which takes up a substantial part of the pay claim document was mainly done by Mr. John H. Hughes, the Director of the Unit. It was on his recommendation that the union commissioned Phillips and Drew to do an independent and expert opinion on the inflation-adjusted current cost accounts (CCA) which figured prominently in Ford's annual report.

In choosing Phillips and Drew, Mr. Hughes would have had a good idea of what sort of a report he was likely to get. After all, the firm's senior research partner, Mr. Martin Gibbs, was one of the more notable contributors to the inflation accounting debate. He

he more in line with the Phillips system."

Phillips and Drew told the TGWU that Ford's CCA figures, which showed post-tax profits of £5.6m. against £59.1m. on the conventional basis, were in accordance with ED 18.

But they went on to state: "We believe that the figure of £5.6m. seriously understates the 'real' profits of the year, since

	Inflation-adjusted		
	Conventional basis	Ford's version	Phillips and Drew's version
Pre-tax profits	£m 122	£m 25	£m 47
Tax	63	19	19
Post-tax profits	59	6	27
Revaluation surplus	—	41	34
Available for appropriation	59	67	41

has been a consistent advocate of a particular approach to the problem which is now fairly well known as the "Gibbs system".

Unlike the accountants' draft standard, known as ED 18, which Ford followed, his method produced profit figures which are generally higher. ED 18, of course, has now been effectively rejected by the accountancy profession and any new approach is likely to ignore the effect of inflation on the company's net liabilities. We regard the figure of £67m. shown in Ford's current cost appropriation account, as a more meaningful indication of the results of the year's operations so far as the shareholders are concerned.

An alternative, and we believe preferable, method of adjusting for the effect of inflation on the net liabilities would show pre-tax profits of £27m.



Mr. Moss Evans, general secretary of the TGWU, who is handling the Ford pay claim, against a background of Ford's Dagenham works.

and a surplus available for appropriation of £61m."

The brokers' report went on to stress that the distributable surplus under either method would normally only be backed by the directors' cash flow if the directors were prepared to increase borrowings in line with the value of the company's assets. As it is, Ford's borrowings fell by £50m. last year.

This, say Phillips and Drew, was primarily due to the low level of capital investment in 1976 when compared with the current cost value of the depreciation. The report concluded that, while there was no particular reason why volume of investment should be maintained in individual years, "it would be worrying if this position were to continue, for several years since the implication would be that the company was failing to maintain its volume of fixed assets and other equipment."

That was the extent of the Phillips and Drew exercise. The firm produced a straightforward analysis of the CCA accounts, and left the union to draw its own conclusions, none of which are entirely surprising.

"If we take Ford's exercise in inflation accounting seriously show us that Ford is failing its labour force and the U.K. community by not maintaining and expanding its productive capital, despite the great increase in profits that the restraint in pay increases has enabled Ford to make," comments the TGWU.

And it concludes: "We certainly now see the Ford directors' attempt to focus attention on an alleged disappearance of profitability under the new inflation accounting approach as a serious distortion of reality."

Not surprisingly, Phillips and Drew's venture into this brave new world has been criticised, not least by some other stockbrokers. Many of the critics appear to believe that it is not a broker's function to provide services to anyone other than investors. Others appear to regard what was done as "helping the other side," while still others have claimed, unfairly, that companies may be less willing to give brokers information

if there is a danger of it ending up in the hands of unions.

None of this makes sense—either in this particular case, or even in general. The stockbroking community has already declined considerably over the past ten years. To imagine that its future lies solely in serving what is vaguely called the investing community, is therefore hardly realistic. In any case, most of the deals on which brokers earn their living are accounted for by pension funds and other institutions investing on behalf of the average British worker.

Indeed the process of brokers adjusting to a broader role of adjusting to provide consultancy and other services to anyone willing to buy them is already well under way. Examples include the Wood Mackenzie North Sea service, the recent research analysis on agrochemicals designed specifically for industrial users, also from Wood Mackenzie, and Phillips and Drew's monthly economic forecasts.

of the extra information about the company's affairs which the union requested prior to submitting its pay claim. Generally the data sought was in line with the voluntary disclosure code under the provisions of the Employment Protection Act 1975. The request ranged from information about pay and benefits, manpower plans, and productivity and efficiency data at plant level to details of intra-group payments, transfer prices, accounts for Ford Germany, France, Belgium and Spain, and the company's future plans.

The union was obviously over-optimistic in asking for all this information. But it does not seem unduly surprised or upset that the company has not felt able to come up with very much of what was asked for.

While there seems to be some agreement that trade unions should be entitled to additional information about a company well above and beyond that required to be disclosed automatically to shareholders or brokers it is probably impossible to specify in advance what information the union should be entitled to. What it is reasonable to expect must depend on many factors, from the size of the company and the type of business to the use which the union may make of the information. However, there seems to be a good case for the Stock Exchange to insist that all quoted companies should make any information given to unions or employees available to shareholders on request. Equally, there are arguments for saying that the unions should be able to obtain any information given to brokers. There have been cases where sales and profit analyses have been given in employee reports, where the

same information was not supplied to shareholders.

The fact that there cannot be any set rules about what information should be made available to trade union negotiators emphasises the importance of their using what information they have to best advantage. This is where the services of economists, stockbrokers and accountants may be increasingly called upon.

Strong advocate

Mr. Moss Evans, the man handling the Ford claim who next year succeeds Jack Jones as General Secretary of the TGWU, agrees that unions do not make enough use of financial information in presenting wage demands. He is a strong advocate of a more "scientific" approach in collective bargaining and if he has his way there information about a company will be many more cases like above and beyond that required to be disclosed automatically to shareholders or brokers it is probably impossible to specify in advance what information the union should be entitled to. What it is reasonable to expect must depend on many factors, from the size of the company and the type of business to the use which the union may make of the information. However, there seems to be a good case for the Stock Exchange to insist that all quoted companies should make any information given to unions or employees available to shareholders on request. Equally, there are arguments for saying that the unions should be able to obtain any information given to brokers. There have been cases where sales and profit analyses have been given in employee reports, where the

Unjustified

The most unjustified criticism of the Phillips and Drew report to the TGWU has come from those who have implied that they were somehow using their privileged position, possibly as possessors of confidential information about Ford, to help the union. It ought to be obvious that the brokers did not need any special information about Ford to perform this relatively simple technical analysis, as any intelligent reader of the report would find.

Another interesting aspect of the Ford pay claim is a section of the document giving details

GEMENT GAME

BY MICHAEL DIXON

Rank Xerox going for a double victory

from Rank Xerox subsidiary of Imperial Metal Industries, with his new colleagues, Messrs. Alan Mason, Malcolm Amos, Dave Cox and Jim Curtis, will be trying to improve on his last year's performance. Then the M.I. team achieved only last place among the four finalists, behind Rank Xerox, Gulf Oil, and Conoco.

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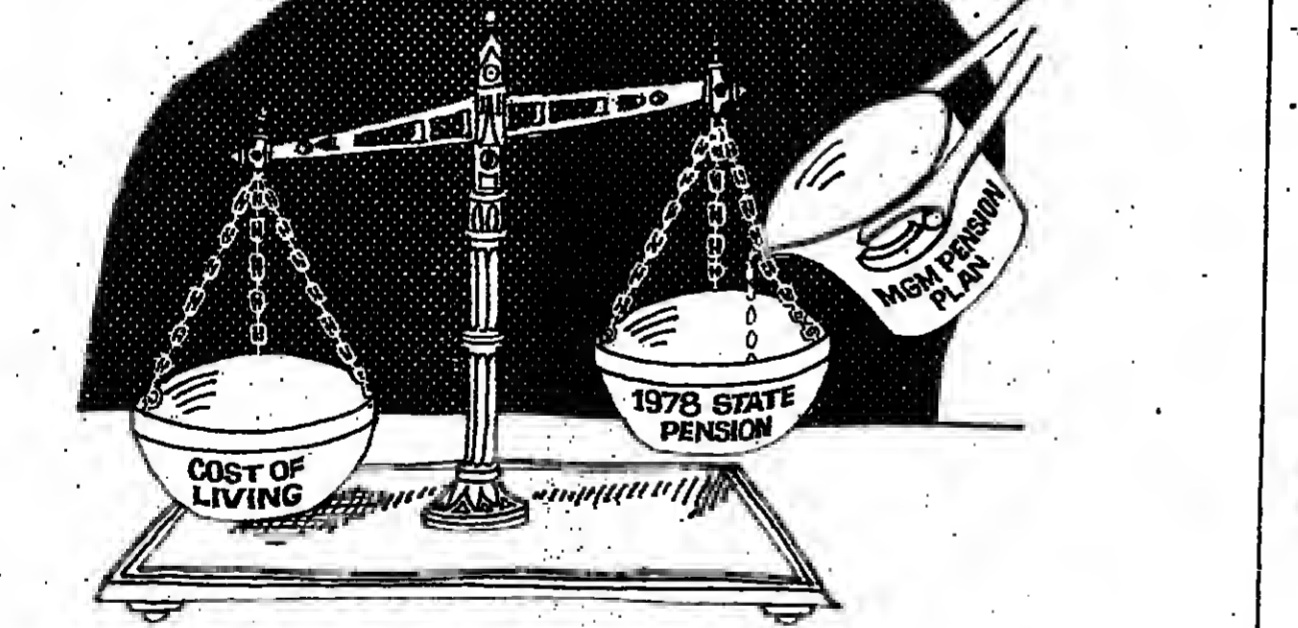
Unilever is represented by Messrs. Alan Evans, Graham Carrington, Kenneth Gornall,

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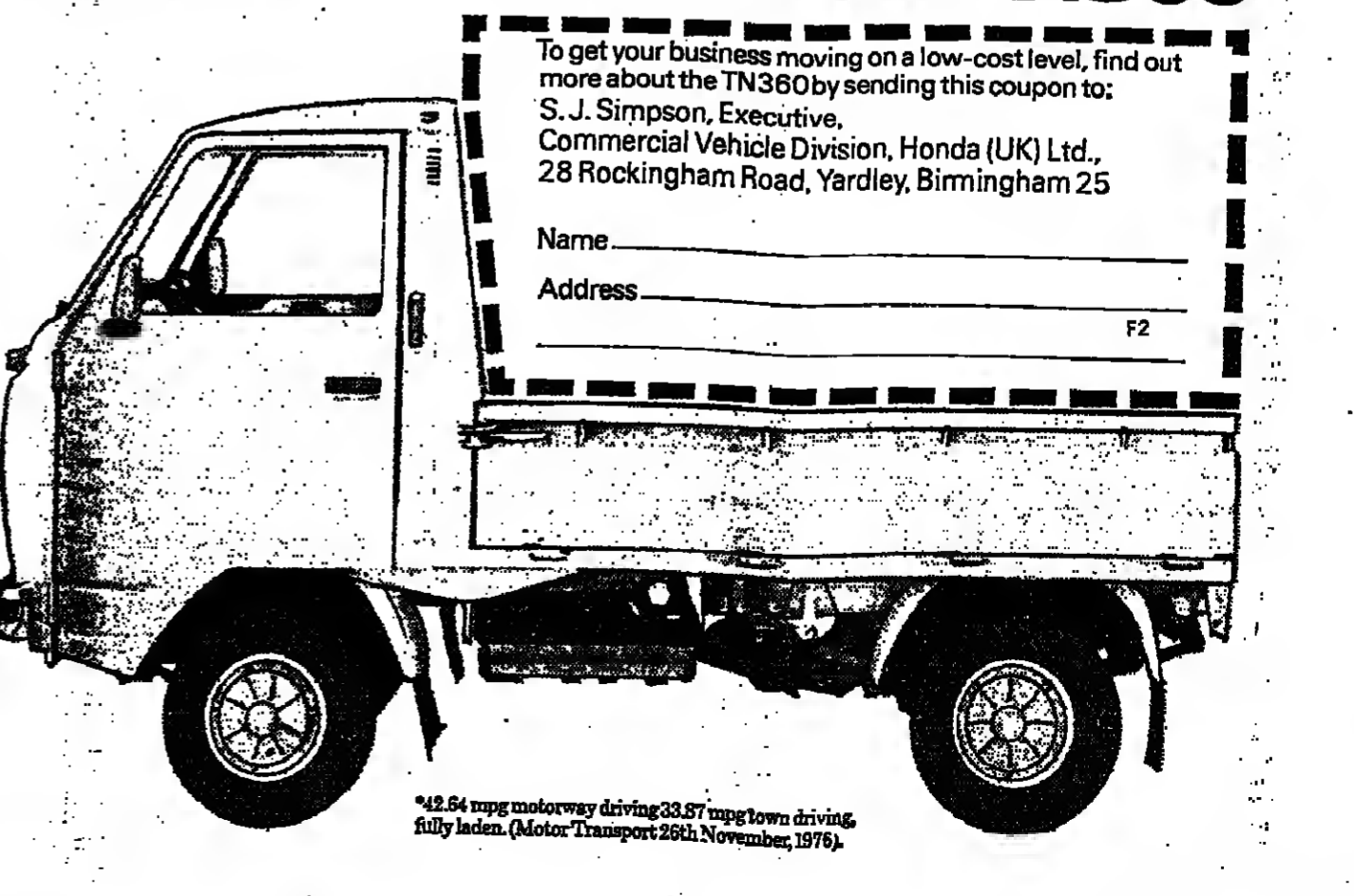
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FINANCIAL TIMES SURVEY

Tuesday July 26 1977

Japan and Europe

odds

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ries Smith
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AND Europe had little to do with one another in the 25 years since the beginning of the second world war. In each side was modest (at least in comparison with the other) during the period when the members of the "free world" were divided over by the yet neither side to feel that membership system required contact or exchange with the other. Mr. Edward Heath that the U.S., Japan formed a triangle strong sides and one the idea sounded use very few people at relations between Europe could pose the same order of as the relationship with the U.S. 1970, and still more aftermath of the oil 1973, Japan and Europe un to notice one in ways which have attributed to the build- ing relationship. This with of Japanese ex- ports from 1970 to 1976, in part by a defensive reaction from the EEC, both of both

Now that contacts between Japan and Europe are closer than at any time in the recent past, friction between them appears to be increasing. The trade imbalance (in Japan's favour) is a growing source of concern and points up the need for relationships to be broadened beyond those of trade alone.

which seemed, initially, to think that it was more important to find ways of slowing down Japanese penetration into their markets than to speed up European exports to Japan. On the eve of the oil crisis there was a brief period when it looked as if things might be going to work out well for both sides. Japan made vigorous efforts to stimulate its imports during 1973 and the EEC (including Britain) responded with a push which resulted in a 65 per cent. growth during one year of European sales to Japan.

Shrunk

What has happened since 1973 has been distinctly less reassuring. Europe's exports have shrunk (in terms of their percentage share of total Japanese imports) to the point where the EEC is now a less important supplier to the Japanese market than Saudi Arabia. Japan, meanwhile, has kept up its pressure on the markets of Europe, with emphasis on a handful of sectors where Japanese industry enjoys its strongest competitive edge (cars, steel, shipbuilding and ball bearings, among others). The visible gap in Japan/EEC trade which was \$300m. in 1970, had grown to \$2bn. by 1974 and slightly exceeded \$4bn. last year (according to EEC figures). For the first six months of 1977, figures just published by Japan indicate that the surplus is running at an annual rate of \$4bn. over the U.S. pro- \$4bn. The question which faces West European Shipbuilders and the EEC, both of both

there really is a "crisis" in EEC-Japan relations. Japan has pointed out, correctly enough, that the EEC has larger deficits with other trading partners than it has with Japan (for example, with the U.S.) and that the balance on visible trade is not in any case. The balance on invisibles happens to be strongly in Europe's favour and could, according to Japanese calculations which are not necessarily accepted by Europe, have been running as high as \$2bn. a year in the recent past.

The EEC reply to all this is that the actual level of the visible trade gap between Japan and Europe may indeed not be a matter of prime importance. What does matter is the percentage share of total Japanese imports to the point where the EEC is now a less important supplier to the Japanese market than Saudi Arabia. Japan, meanwhile, has kept up its pressure on the markets of Europe, with emphasis on a handful of sectors where Japanese industry enjoys its strongest competitive edge (cars, steel, shipbuilding and ball bearings, among others). The visible gap in Japan/EEC trade which was \$300m. in 1970, had grown to \$2bn. by 1974 and slightly exceeded \$4bn. last year (according to EEC figures). For the first six months of 1977, figures just published by Japan indicate that the surplus is running at an annual rate of \$4bn. over the U.S. pro- \$4bn. The question which faces West European Shipbuilders and the EEC, both of both

In each of these cases Japan can claim to have done better than Europe because its industries are more competitive. The cost of making a ton of steel in one of Japan's ultra-modern and technologically advanced steel plants is well below that of making steel in the older and less productive plants of the EEC. The same is true in the motor industry, where the top two Japanese motor manufacturers is probably about five times that at British Leyland, and the contrasts are still more striking in shipbuilding.

However, competitiveness, as Europe sees it, is not the sole yardstick by which to judge the present state of Europe-Japan trade relations. There is the question of whether European exporters — even in the areas where they can claim to be strong — are being allowed full and free access to the Japanese market. There are questions about the implications for world trade of the massive investment undertaken by Japanese shipbuilders and steelmakers on the eve of the oil crisis, which would seem to have given the industries concerned an embarrassing excess of capacity in relation to their own market and to their "traditional" overseas markets.

Political

Finally there is the question of how far political considerations should or should not be allowed to affect decisions on trade issues. Europeans are in

Europe, including car sales in Japan, are partially (though perhaps only very partially) to blame for the high levels of unemployment which now exist in some of the EEC's traditional industries and which could spill over into political instability. It can be and is being urged that Japan should accept responsibility for causing these kinds of problems and should act accordingly.

The attempts that Japan and Europe have so far made to achieve a meeting of minds on these questions have not seemed to be notably successful. Regular "high-level" meetings between Japanese and EEC bureaucrats, which began in 1973, have produced the occasional compromise or concession on detailed problems affecting individual industries, but have not seemed to tackle any very fundamental issues. When the EEC raised the stakes last autumn by placing the Japan trade problem on the agenda of a meeting of the European Council, Japan reacted initially by getting into one of its characteristic states of "shock." EEC problems dominated the Tokyo headlines for some weeks and Japanese bureaucrats worked hard, and as it proved successfully, to come up with a list of measures which would enable the EEC leaders to convince themselves that progress had been made in "solving" the trade problem. The measures included liberalisation of Japanese inspection procedures relating to certain European imports and guarantees that Japan would exercise restraint in some exports to

Europe, including car sales in Japan, are partially (though perhaps only very partially) to blame for the high levels of unemployment which now exist in some of the EEC's traditional industries and which could spill over into political instability. It can be and is being urged that Japan should accept responsibility for causing these kinds of problems and should act accordingly.

Crisis

There is a strong possibility that relations between Japan and Europe will enter another crisis this autumn as the full extent of this year's EEC-Japan trade gap becomes apparent and as Europe begins to feel the impact of seasonal increases in unemployment. If such a crisis does occur it could be different in one important respect from what happened at the end of 1976. It is very likely this year that the Japanese will find themselves under pressure to "do something" about their exports not only to the EEC but also to the U.S., which is sounding markedly less relaxed this year about its own Japanese imbalance than it was during most of 1976. The prospect of Japan having to face the Europeans and the Americans simultaneously in a replay of last autumn's EEC-Japan trade confrontation is one which should be quite alarming, and it is hoped, making manu-

factured products from other for all concerned. It will be harder for Japan to make concessions to Europe involving any kind of export restraint if the U.S. is demanding similar restraints or is on the look-out for suspected diversion of Japanese exports to its own markets from those of the EEC.

The easiest way to avoid such a situation — with its risks of a general slide into "trade war" — would be for the economies of all concerned to grow rapidly over the next three months, producing enough demand for Japanese industry to sell at home or abroad without creating tensions. Unfortunately it does not look at all likely that anything like this will happen. Japan will probably fail to achieve its official target of a 6.7 per cent. growth rate for this fiscal year even if the Government goes ahead with budget in the autumn (which carries its own risk of causing another bout of inflation). If growth continues below par and Japanese industry has to go on exporting in order to survive, Japan's trade surplus for the fiscal year may easily hit a record level of \$11bn. or \$12bn., as compared with the \$7.3bn. forecast originally offered by the Government. One of the few things Japan can do to pacify its trade partners in the U.S. and Europe in this situation is to allow the yen to float up freely on the Tokyo foreign exchange market, thereby taking some of the edge off its own export competitiveness and, it is hoped, making manu-

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countries rather more competitive in Japan. The yen has, in fact, already appreciated by almost 10 per cent. against the dollar since the start of 1977. It might conceivably go up another few points during the rest of the year if the Government can bring itself to remain on the sidelines. But yen revaluation alone is not likely, either in the short run or the longer run, to produce a harmonious relationship between Japan and the rest of the developed world. What is needed for that is the realisation that bilateral trade is far from being an adequate basis for such relations. Japan is to maintain and extend its position in the world it must realise that politics matters as well as trade and that politics in Europe depend to a great extent on whether or not there is enough work to keep Europeans employed. For Europe the message is even simpler — it has ignored Japan for too long both as a market and as a potential force in the world at large.

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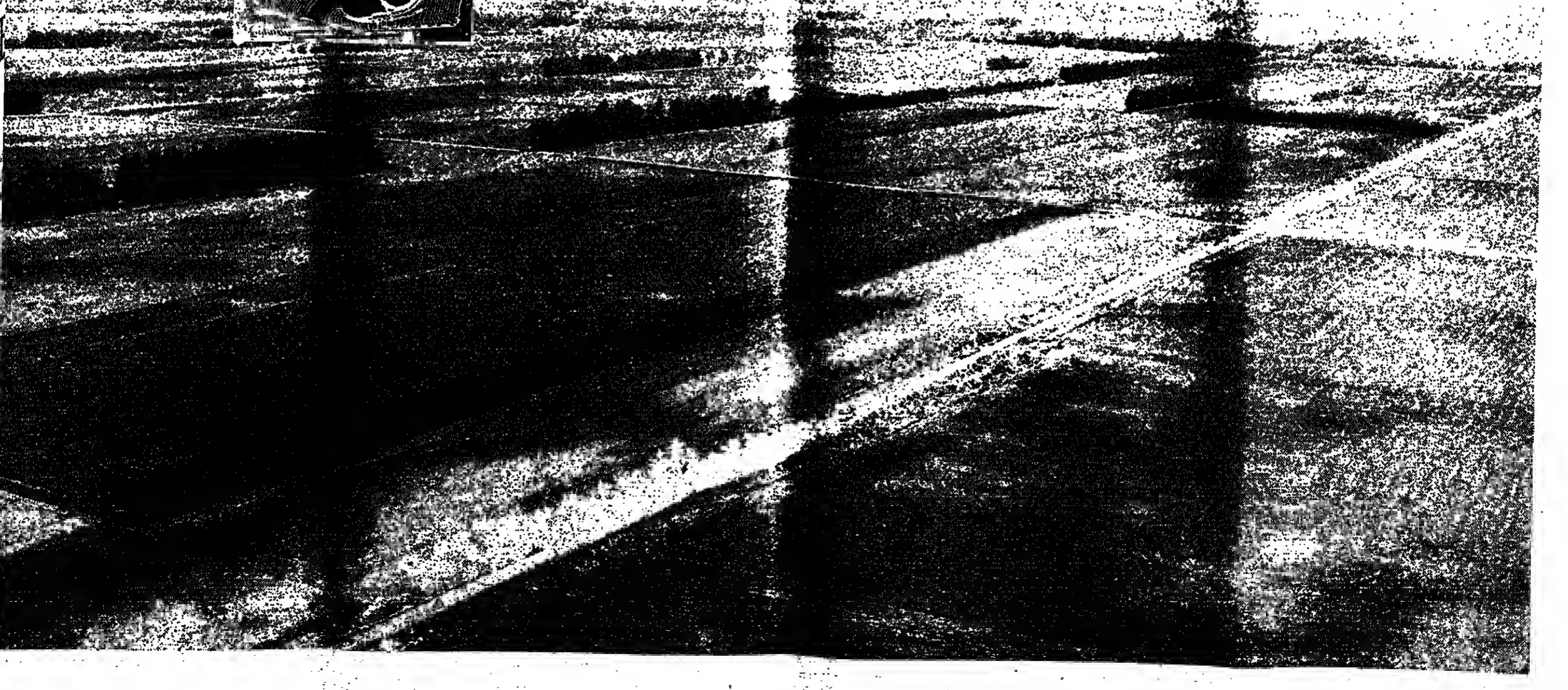
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JAPAN AND EUROPE II

Trade structure causes problems

JAPAN AND Western Europe are both prime examples of what some economists have christened "raw material transforming workshops"—in other words they make their living by importing raw materials, turning them into manufactured goods and then selling their goods on world markets. The difference between the Japanese "model" and the European "model" of a raw materials transforming workshop lies in the extent to which the Japanese do just this and virtually nothing else.

Japan exports huge quantities of manufactured goods of unrivalled quality and at very reasonable prices to anyone who will buy them, but itself buys only very modest quantities of manufactured goods from the outside world. European countries while importing and processing raw materials and exporting manufactures, also engage in a large amount of "horizontal trade" in manufactured goods with each other and with other developed countries.

Manufactured goods account for 85 per cent of total British imports and 87 per cent of French and German imports or for about 38 per cent of the imports of each of the three, if intra-EEC trade is excluded. Japan's imports of manufactured goods (both capital and consumer) account for just over 20 per cent of its total imports—though, as the Japanese are quick to point out, the ratio was about 30 per cent before the 1973 oil crisis drastically raised the cost of Japan's crude oil imports.

but picked up by a startling 34 per cent in 1976. Meanwhile, Europe's exports to Japan fell 16 per cent in 1975 and recovered by only 6 per cent in the following year—in other words, to somewhat less than their 1974 levels.

In terms of market share what happened between 1973 and 1976 was that the EEC's share of Japan's import market shrank to less than the share of a single Middle East oil producer—Saudi Arabia. The EEC was also, incidentally, receiving a smaller portion of Japan's total exports in 1976 than it had done in the last year before the oil crisis, but the ratio had not fallen by much. In terms of actual dollars earned in each other's markets Japan ran a surplus of over \$4bn, with the EEC in 1976 compared with a surplus of \$300,000 in 1970.

From 1974 until the early part of 1976 most people in Japan who gave any thought to the matter appeared to be assuming that Japan's surplus with Western Europe would continue to grow larger into the indefinite future. A projection published by the Japan Economic Research Centre early in 1975 using data supplied by the Ministry of Finance put the surplus with Western Europe (not the EEC alone) at \$17bn in 1985, or almost enough to pay for Japan's deficit with Middle East oil producers by the same year. In 1976 the JERC published another considerably more modest forecast, estimating a \$9.6bn surplus with Western Europe (including EFTA countries and non-members of both EFTA and EEC) by 1985.

Both forecasts apparently failed to take account of the fact that, by the beginning of 1976, the trade imbalance with Europe was becoming a political issue—not just a matter of how much each side was likely to be able to sell in the other's market. No Japanese source has come up with a revised estimate of the surplus with Europe since the EEC took up the issue on a political level in the autumn of 1976. But the Japanese do make certain points about probable future developments, some of them reassuring some rather less so.

Japan's basic position on the controversial question of whether or not it ought to import more manufactured goods is that it cannot hope to match European levels of imports because of its poverty in raw materials. Japan imports 99 per cent of its crude oil, nearly all of the coking coal and iron ore needed to feed what is now the world's third-largest steel industry and a larger percentage of its food than any Western European country. This means, say the Japanese, that the amount of money left over to buy manufactured goods will always be relatively smaller than in Western Europe.

Sophisticated

The vertical nature of Japan's trade—which goes hand in hand with the awe-inspiring self-sufficiency of Japanese industry—raises no particular problems in trade between Japan and, say, Latin America or the Middle East since these areas are primarily raw material exporters in any case and are therefore reasonably content to take the return for primary products. Even between Japan and the U.S. there is nothing particularly surprising about a bilateral trade relationship which consists chiefly of Japan exporting manufactured goods and buying raw materials in return. (Roughly 60 per cent of Japan's imports from the U.S. consist of food and primary products, while the bulk of the remainder are sophisticated industrial products such as aircraft or defence equipment.)

When it comes to trade between Japan and Europe, however, problems do arise. Europe, by its very nature as a processor of raw materials and exporter of manufactured goods, expects to sell manufactured goods rather than primary products in Japan but finds itself able to do so only to a very limited extent.

Meanwhile Japan expects to be able to sell manufactured goods in Europe and actually does so with a vengeance. Because Europe buys manufactured goods in quantity from Japan and because it is not able even to ship soybeans or grains in return to keep trade roughly in balance (as the U.S. has attempted to do) European politicians have made an issue out of the fact that Japan maintains an "inadequate ratio" of manufactured goods imports in its total imports.

The process by which Japan and Europe have arrived at their present unbalanced trading relationship is worth tracing in detail because it helps to explain the degree of current European agitation about the Japan trade problem. In 1960 (when Japan's total exports were worth less than one-third of their value last year) Europe received a fairly modest 11 per cent of the total, with the overwhelming bulk of the remainder (30 per cent, and 32 per cent, respectively) going to North America and South-East Asia. By 1973 Western Europe was taking 17 per cent of Japan's total exports—which had increased over the 13-year period since 1960 by a factor of approximately 2.5.

Western Europe's share in Japan's total imports also rose between 1960 and 1973 from a little under 9 per cent, to just over 10.5 per cent. But from 1973 onwards, as Japan stepped up its expenditure on crude oil following the quadrupling of prices by OPEC, imports from Europe fell back steady (as a percentage of Japan's total imports) while Japan's exports to Europe held their own with formidable success.

Japanese exports to Western Europe shrank, by a modest 6 per cent, in 1975 (a year when world trade, except to and from oil producing countries, was in a general state of contraction)

Area	143,818 sq.
Population	
GNP	¥164.5
Per capita	¥1
Trade (1976)	
Imports	¥19.1
Exports	¥19.5
Imports from U.K.	£
Exports to U.K.	£
Currency: Yen	£1 =

Taiwan. It could in time more bulky and expensive exports from these sources conceivably even steel motor or shipbuilding tries. Another almost inexhaustible source of future Japanese ports of manufactured goods likely to be countries themselves buy Japanese trial plant. Plant frequently demand acc the market of the country for the product newly-established plant: condition for ordering th in the first place.

If Japan's future imp, manufactured goods loc coming from the rest of much as or more than Western Europe, should means give up all hope penetrating the J market and conclude that is nothing to be done exc up barriers against J imports? The answer is, three reasons. First, on of principle, there has been any reason why a balance should exist b Japan and Europe—the might be better for a cerned if the imbalance less than at present, although Japan's "abso of industrial imports remain below European there are nevertheless p which should and in ti run probably can be sole Japanese market if Eu exporters persevere. putting up barriers woul a trade war, conducted in third markets, and wou out any possibility for col on by Japan and Eur the development of markets.

The Japanese attitude import structure problem while, could also possibl fit from some change problem clearly needs t garded as such, and not a peculiar characteristic Japanese economy foreigners have oo cho to accept. In the last Japan will only be a harmonize its own tradin with those of the rest world if it accepts tha takes place within a p context and that some of major partners — Western Europe—are some serious political pr which have quite a lot with the Japanese imbal appears that a few pei Japan are now start recognise this fact.

Charles S

Hopes

What happens to the structure of Japan's imports between now and the early 1980s also depends on the extent to which Japan's own industrial structure is transformed over the next five years. The Ministry of International Trade and Industry, which is in charge of long range plans for developing "sophisticated" industries in Japan and phasing out more primitive industries such as textiles, hopes that by the mid-1980s Japan will have as much of its industry in the high added value, knowledge intensive sectors as West Germany does to-day.

The high-added value industries (such as computers, aircraft, and various types of services) will require a smaller raw material input to achieve a given amount of value (or revenue). This in turn means that there should be more money left over to spend on imported manufactures, after the basic raw material needs of industry have been satisfied.

A question about the future structure of Japan's imports which is not often considered but which could turn out to matter quite a lot to Europe is: where will it buy more manufactured goods from, if and when it does so? The answer, according to some Japanese analysts, could turn out to be from neighbouring countries in Asia such as Korea, Taiwan or the ASEAN (Association of South East Asia) member countries, rather than from traditional industrial nations.

Japan is already being pressed to import textiles from Korea and simple consumer electronics from Korea and

Year	Ratio (%)
1967	25.8
1968	27.5
1969	29.5
1970	30.3
1971	28.6
1972	29.6
1973	30.6
1974	29.0
1975	29.3
1976	21.5

... First ten months.

Maintaining its competitive edge

UP TO the early 1960s Japanese goods sold abroad mainly behind in some (but not necessarily all) major industries: 1—Productivity in the Japanese steel industry rose from 102.8 tons per head per year in 1962 (or rather below British levels) to 403.2 tons per head per year in 1974 (when, in the opinion of a visiting mission from British Steel Corporation, Japanese steel productivity was probably between two and three times as high as Britain's). 2—Turnover in a "typical" large Japanese ball bearings company in 1976 came to ¥14.5bn per man, compared with ¥7.9bn for the SKF group (whose total turnover was much larger than that of the Japanese company concerned) and ¥4.0m for KEP, the leading British ball bearings maker. 3—In the Japanese motor industry in 1975 one worker was producing about 21,000 worth of car every nine days in 1975, while a British Leyland worker was taking about 47 days to do the same. Similar comparisons could be made for other strong Japanese Austrian originators).

CONTINUED ON NEXT PAGE

Structure problem

Putting up the shutters

Japan is difficult to do anything to market, including exporters, Japanese and trade officials both sides of the trade controversy, agreed is why it is

businessmen normally stress the Japanese distribution system as well as well-known barriers and "guidance" by ministries. To try to remove these barriers is a thankless task — it has his own idea of business relations should be red and not orange or any other colour in the judgement of the inspector.)

1969 and 1972 there and far-reaching of Japanese trade quota restrictions only 29 items by day the number while a unilateral tariff cut of 20 per cent put Japan's slightly below industrial countries liberalisation never, came late y the yardstick of national trade had been in sur- year to the time taken to place point of view of rters who were trying really Japanese market has a long way to go in areas industries had helmingly strong sitions. They also came of relatively s to the question

of health and safety regulations and the like. Japan maintains a meticulous array of such controls which are strictly enforced and which frequently differ from those of other countries (though, where there are similarities, they are more likely to be with the U.S. than with Europe).

Examples are: 1—the existence of a positive rather than a negative list of food additives (in other words the Japanese customs will only permit the import of a foreign food product if all its ingredients appear on the official "approved list" whereas in many other countries a product will be admitted as long as none of its ingredients have been specifically banned).

Reduced The encouraging point about the standardisation problem is that differences between Japan and the rest of the world have been reduced to some extent during the past two years as a result of negotiations between Japan and certain Western Governments. Japan agreed during 1976 to allow EEC member countries to conduct certain quantifiable tests on Japanese cars; and to station Japanese inspectors in Europe to carry out some of the unquantifiable tests. It also granted foreign car exporters a three-year grace period in the enforcement of automobile emission controls due to come into force, for domestic cars, in 1978.

Ministry of Agriculture) which would like to maintain the present differences. At the highest levels of the Japanese Government, however, it appears that standardisation is now accepted as desirable so long as it does not endanger what Japan considers to be basic standards of health or safety.

The third area in which access problems quite clearly do exist is the Japanese distribution system. For political and social reasons the Japanese Government protects small retailers and restricts the growth of large distributors such as chain stores and department stores. The result is that there are well over 2m. family stores in Japan whose power to hold stocks or to finance themselves is relatively weak and who need to be served by an elaborate network of wholesalers. Many products, both Japanese and foreign, reach the retailer through two "layers" of wholesalers, each of which naturally expects a mark-up.

Control Japanese manufacturers have reacted to this situation by attempting to exert control over the wholesale system either by financing or occasionally by outright takeover. Foreign electronics manufacturers attempting to sell consumer products in Japan have found the "forward integration" of Japanese electronics manufacturers into the wholesale distribution system presents a formidable obstacle to increasing their sales. In some cases forward integration may even penetrate as far as the retail level. A (Japanese) purchaser of an air conditioner at a typical family store recently found that the young man who came to install it in his home (and who negotiated a discount on the price) was an employee of the manufacturer.

A fourth problem area, for all kinds of businessmen (Japanese or non-Japanese) in which fact is much harder to separate from myth, is the one which comes under the general heading of official intervention or "guidance". Some foreign businessmen believe that the Japanese government (meaning in this case the Ministry of International Trade and Industry) intervenes directly, on occasion to prevent the import of a particular foreign product by introducing instructions to the would-be purchaser not to buy it. MITI has also come under suspicion at times of issuing generally discouraging "guidance" to importers or distributors of foreign products such as trading companies or department stores.

companies enjoy a very definite edge. An attempt by Canadian electronics manufacturers in 1975 to be allowed to tender for telecommunications equipment needed by NTT (Nippon Telephone and Telegraph, the state telecommunications corporation) was met by the reply that Canadian companies would be welcome to bid, but there was no way in which they could be given an order.

A further point about "guidance" to importers, which does appear to have some validity, is that the Ministry of International Trade and Industry is quite capable of issuing "positive" guidance—that is, encouraging trading companies and others to step up their purchases of foreign goods at times when Japan's payment balance shows signs of running too far into surplus. Guidance of this kind was apparently issued to the presidents of the ten major sogo shosha (general trading companies) by the Minister of International Trade and Industry Mr. Komoto when the Japanese trade surplus with Europe emerged as a troublesome problem in autumn 1976.

The most realistic answer to the general question of why Japan is a difficult market would seem to be: because it is different in every conceivable way from the Western industrial markets in which most European exporters are accustomed to selling their goods. A second factor, clearly, is that Japan was a highly protected market and still retains some of the attitudes and habits (among consumers as well as businessmen) which went with high tariffs and quotas. Deliberate efforts on the part of the Japanese authorities to keep out foreign goods and favour local producers are nowadays exceedingly hard to pin down — although bureaucratic attitudes and an addiction to red tape which can make life difficult for all kinds of businessmen (Japanese or non-Japanese) are ubiquitous.

Attitude The attitude of the Japanese Government and of the Keidanren (the Japanese equivalent of CBI but considerably more powerful) to the access problem is that misunderstandings and suspicions on the subject are generally damaging to Japan's interests and should be cleared up as completely as possible. The Keidanren (whose interests are strongly on the side of large and internationally oriented Japanese companies versus the small domestically-oriented sectors of foreign products such as distributors) has attempted to offer itself as a channel to the Government for complaints about access problems by would-be exporters. Neither the Keidanren's good offices nor anything else are likely to turn Japan overnight into an easily accessible market. But, on the other hand, the odds are not permanently or deliberately rigged against the exporter.

in competitive

Competitive

CONTINUED FROM PREVIOUS PAGE

st. 32 per cent. Mercedes Benz (no figures available for British Leyland). Japan's competitive edge in major mass production industries is so large at present that it is hard to see how, in a low growth era like the mid-1970s, on labour, design, European steelmakers, shipbuilders and perhaps even motor manufacturers could question in its possibly hope to catch up. This, conceivably also, however, does not mean that there is nothing else for Europe to do except admit defeat. There are other industries where Japan is not so far ahead and there are industries where Europe appears to be moving into a more favourable position than Japan because of factors such as raw material supplies or environmental conditions.

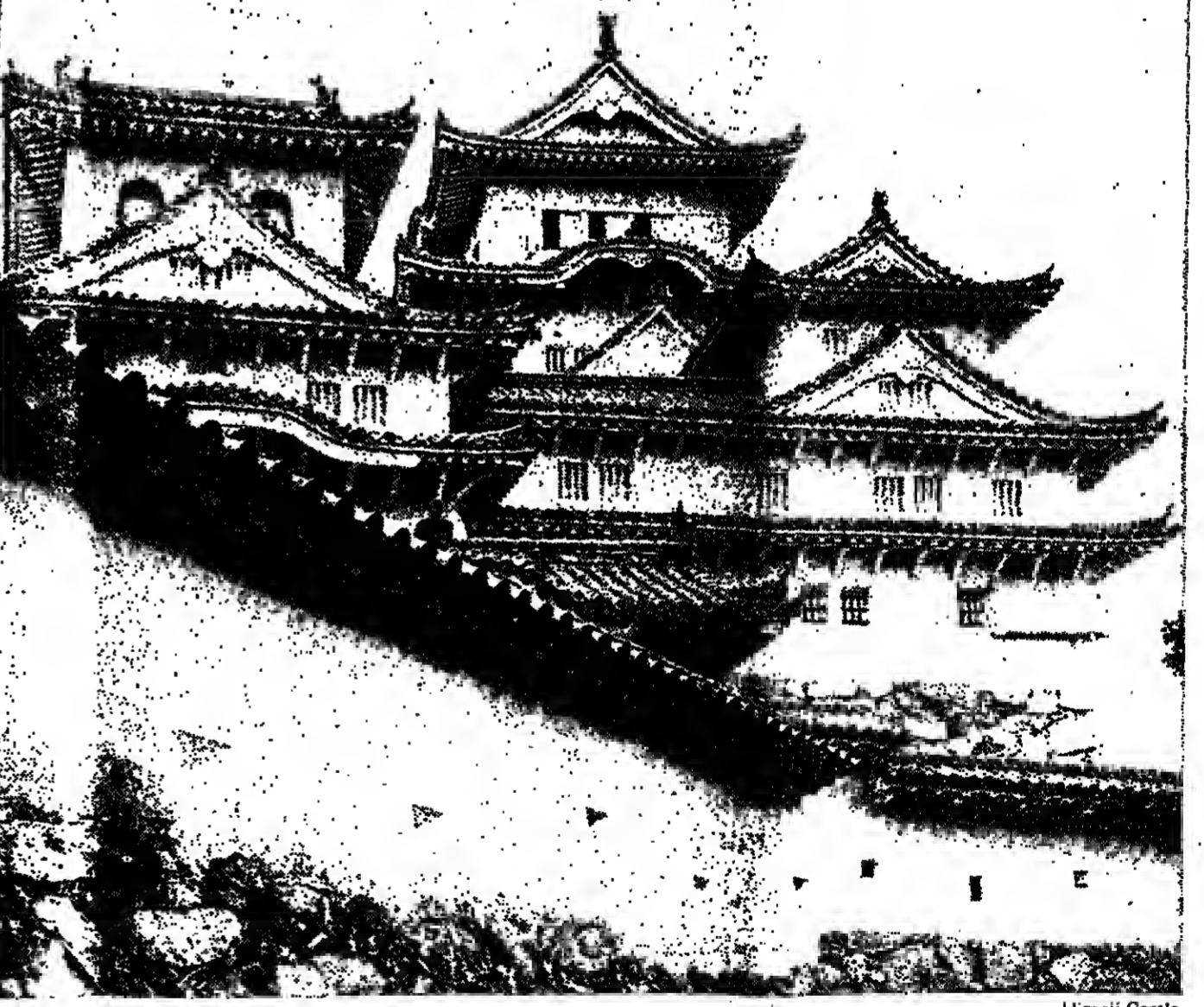
automation in order to compete with those who have the same in the petrochemicals where the high cost of imported raw materials and the increasing environmental consciousness of Japanese people themselves are beginning to cause some fairly serious problems. Industries where Europe is ahead and reasonably likely to stay ahead of Japan in terms of productivity or technological sophistication include not only obvious areas like aircraft and engines and defence, but also some of the more unexpected sectors such as automobile parts and diesel engines and high quality audio equipment.

The lead of Europe (and the U.K. in particular) in the automobile components and diesel engine industries can be traced to the fact that these British industries are major exporters to world markets, whereas their opposite numbers in Japan have so far only had the benefit of "exposure" to their own (admittedly huge) domestic market. In more specialised sectors such as top quality audio and advanced electronics Europe's lead seems to be due to the fact that Europeans are temperamentally inclined to specialisation whereas Japanese business, instinctively or otherwise, goes for the benefits of scale and mass production.

Strategy The correct strategy for Europe to follow in dealing with Japan might seem to be to push as hard as possible for access to the Japanese market for the products in which European industry is strong, while accepting as philosophically as possible the existence of a decisive Japanese lead in other areas. There are two other points, however, which come into the picture. One is that new industries (for example computers) are being developed in both Japan and Europe where a competitive edge on one side or the other may count for hundreds of thousands of jobs and billions of dollars of export earnings in five to ten years' time.

The second point is that Japan's lead in certain industrial areas is starting to be challenged, not chiefly by Europe, but by some of its near neighbours such as Korea, Taiwan and the offshore countries of South East Asia. The ailing Japanese chemical industry seems likely to find itself under increasing pressure in the next few years from the rapidly growing chemical industries of Taiwan and Korea, just as the Japanese textile industry is already having to fight for its life against Korean competition.

Japanese business has reacted to the industrial emergence of Korea and Taiwan partly by demanding protection against their products—as Europe has tended to do with the Japanese challenge—but chiefly by investing in them. Some European businessmen have also, apparently, grasped the point that investing elsewhere in Asia may be the best way, in the long run, for European industry to "get its own back" on Japan. European electronics makers who have established factories in Singapore to supply the Japanese market and chemical companies which are manufacturing for the Japanese market in Taiwan appear to be working on this principle. Such investments, however, are still apparently the exception rather than the rule.



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JAPAN AND EUROPE IV

Report from the Sumitomo Bank

The Sumitomo Bank's general meeting of stockholders was held June 29, 1977. The bank saw increases in both income and assets for fiscal 1976 despite the sluggishness of the world economy.

The Sumitomo Bank Limited Consolidated Balance Sheet		
(As of March 31, 1977)		
Consolidated Income		
Consolidated income for fiscal year ending March 31, 1977, stood at ¥29,967 million (\$108 million). This figure is ¥6,149 million (\$22 million) over the net income of ¥23,818 million for fiscal 1975. On a per share basis, the consolidated income for fiscal 1976 was ¥22.05, an increase of 22.2 percent over the per share earnings of ¥18.04 for 1975. The Sumitomo Bank continued as a leader among the Japanese city banks in both net income and earnings per share for fiscal 1976.		
Stockholders' Equity		
Consolidated stockholders' equity rose to ¥320,514 million (\$1,156 million) during fiscal 1976, 15.4 percent higher than the fiscal 1975 closing and an increase of ¥42,870 million (\$155 million). Fiscal 1976 year-end stockholders' equity includes ¥89,100 million (\$321 million) in capital, ¥2,372 million (\$9 million) in capital surplus and ¥229,042 million (\$826 million) in retained earnings.		
Business Increases		
Consolidated deposits for fiscal 1976 were a record ¥7,538,592 million (\$27,186 million), 6.2 percent over the ¥7,097,750 million (\$25,596 million) figure the year before. Loans rose to ¥6,339,365 million (\$22,861 million), 8.7 percent or ¥506,984 million (\$1,828 million) over loans the year before. Securities increased from the fiscal 1975 figure of ¥1,127,062 million (\$4,064 million) to ¥1,289,500 million (\$4,650 million).		
Outlook for Fiscal 1977		
Indications are that the environment of banking will become increasingly severe during fiscal 1977. However, the management is confident that the Sumitomo Bank will continue to serve stockholders and customers calling on its resources and expertise to meet the needs of the day.		
The Sumitomo Bank Limited Consolidated Balance Sheet		
(As of March 31, 1977)		
Assets		
Cash and Due from Banks	In thousands of Yen: 1,049,312,464	In thousands of U.S. Dollars: 3,784,033
Call Loans	39,243,777	141,521
Securities	1,289,499,538	4,650,197
Loans and Bills Discounted	6,339,365,333	22,861,036
Foreign Exchanges	571,153,326	2,059,694
Domestic Exchange Settlement a/c, Dr.	157,994,116	569,759
Bank Premises and Real Estates	130,669,218	471,220
Other Assets	43,332,367	156,265
Customers' Liabilities for Acceptances and Guarantees	1,385,785,031	4,997,422
Total	11,006,355,170	39,691,147
Liabilities		
Deposits	In thousands of Yen: 7,538,592,275	In thousands of U.S. Dollars: 27,185,692
Call Money	412,546,170	1,487,725
Borrowed Money	651,595,011	2,349,784
Foreign Exchanges	122,323,780	441,124
Domestic Exchange Settlement a/c, Cr.	136,728,394	493,070
Accrued Expenses	169,414,624	610,943
Unearned Income	58,718,309	211,750
Other Liabilities	62,415,788	225,084
Reserve for Possible Loan Losses	81,501,277	293,910
Reserve for Retirement Allowances	46,180,796	166,537
Other Reserves	20,039,630	72,267
Acceptances and Guarantees	1,385,785,031	4,997,422
Capital (Paid-up)	89,100,000	321,313
Capital Surplus	2,371,615	8,552
Retained Earnings	229,042,470	825,974
Total	11,006,355,170	39,691,147
U.S.\$1 = ¥277.30 as of March 31, 1977		

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European exporter could try harder

"I CANNOT imagine an appreciable increase of EEC exports to Japan as long as the EEC remains so inactive in its export efforts as it is to-day. . . In my view it is no overstatement to say that the EEC has ignored the Japanese market." These are the words of Mr. Hirotsugu Dan, a senior official of the Japanese Finance Ministry who wrote a series of newspaper articles earlier this year under the title: "My advice to our friends in the EEC."

Mr. Dan's two main points were that the Japan-Europe trade imbalance was due to the "superior competitiveness" of Japanese industry and to European exporters' "not trying hard enough." The second of these two points has been made by numerous other Japanese businessmen and officials during the past year or two, including such people as the President of Marubeni Corporation, Mr. T. Matsuo (who also happens to be the head of the British Market Council, an association of Japanese businessmen dedicated to expanding trade with the U.K.), the Director General of the International Trade Policy Bureau of the Ministry of International Trade and Industry and the Director of the Planning section of the Ministry of Foreign Affairs. How much truth is there in this assertion?

Difference

One way of backing up the argument that Europe has not tried hard enough in Japan is to point to the difference in size of the European business community in Tokyo and that of the Japanese community in Europe. There are substantially more Japanese businessmen permanently stationed in London (about 4,500 at present including families) than there are British businessmen in Tokyo, and the Japanese, by and large, have been there longer. This, however, simply reflects the fact that Japan was obliged to make sales efforts in Europe earlier than Europe felt impelled to do the same thing in Japan, because Japan was and is relatively short of export markets in its own part of the world whereas European countries all have major markets for their exports on their doorsteps.

What really matters is whether the European export effort in Japan can be considered adequate to the situation that exists now—in other words to the situation in which Japan has achieved a high degree of penetration into the key markets of major European industries while Europe has yet to achieve similar penetration in Japan. The answer would seem to be that European governments—or some of them

—have for some years been making intensive efforts to encourage their businessmen's export efforts but that European industry has put up a mixed performance ranging from extreme determination and patience in the face of the adversities that afflict most would-be exporters to Japan, to total neglect. Efforts by European governments to "do something" about the Japanese market include the impressive but costly British Export Marketing Centre in Tokyo, which has staged more than 40 officially sponsored exhibitions of capital and consumer goods over a 3½ year period, introducing many Japanese companies to the Japanese market for the first time and in some cases opening up whole new consumer or capital goods markets to British exporters. The Centre, which is the only one of its kind operated by Britain anywhere in the world, costs between £500,000 and £900,000 a year and offers would-be exhibitors a £200 "package," which includes the entire cost of participating in a Government sponsored exhibition, together with a partial travel grant for visiting executives.

The French Government, which closed its own smaller exhibition centre in Tokyo in 1974, is now thinking of reopening in response to advice from the Kaidanren (Confederation of Japanese economic organisations). Another interesting example in trade promotion in Tokyo, falling somewhere between the private and public sector, is the newly opened Federation of Danish Industries' office. This represents 30 Danish companies without charge but on condition that the companies provide "follow-up" in the form of visits by executives when the office considers it necessary (the money for the FDI operation comes from a private grant from the Thomas B. Thriges Fund, a smaller Danish equivalent of the Ford Foundation).

Efforts by the European private sector to sell in Japan, as already indicated, tend to run to extremes. Many successful European exporters have taken the pains to set up a wholly-owned sales company, or to invest in a joint venture sales operation with a Japanese partner. Some of the most successful of such operations have been operating since the late 1950s or early 1960s and have long ago earned back the original investment of the patent concern. Other equally determined entrants to the Japanese market have hung on grimly with wholly-owned sales operations, but have yet to make a profit and cannot see the time coming when they will be able to do

The tourist invasion

EARLY IN June the Japanese department store of Mitsukoshi held a gala dinner at the Chateau de Versailles. Some 800 guests of the department store flew to Paris from Japan for the occasion, which is estimated to have cost about \$100,000, almost all of it paid ultimately by the "guests."

The dinner was followed by a fireworks display. Usually such occasions are handled by Ruggieri, the French firm which specialises in such displays—this time the show was purely Japanese, and, instead of the silvery haroque showers of sparks on la Ruggieri, the Versailles guests—some 2,000 Japanese altogether, dressed in dinner jackets for the men, long dresses for the women—were treated to the mighty petards in which Japanese firework makers specialise.

Such festive Japanese occasions are rare in France. This was the first time that the chateau had been rented to the Japanese, who expressed their gratitude by donating a chandelier to Versailles, at a cost of \$10,000. And there is some feeling in Paris that such display was in bad taste.

Bad taste or no, the Japanese pour into France in ever-increasing numbers. Most of them come on package tours with Japan Air Lines, organised by tourist agencies in Japan, and when they visit Versailles—as almost all of them do—they do not take physical possession of the chateau. They go there as normal visitors.

Last year a total of 300,000 Japanese visited France, according to the Japan National Tourist Office while only 19,000 French people visited Japan. The disparity, according to the JNTO, in Paris is because Japanese travel agencies are better organised than French one—the former offer Japanese tourists a week in Europe all-in at a price of around Frs.4,000, whereas a French visitor to Japan on a JAL package must pay about 50 per cent. more.

The major reason for the tourism "deficit" of Japan with Europe, however, is that the Japanese are more interested in Europe than are the Europeans in Japan. Thus, for Europe as a whole in the year to end-March 1976, travellers to Japan numbered 101,000, while there were 271,000 Japanese tourists visiting Europe in that year, according to Japan Air Lines.

The difference between JNTO and JAL numbers is accounted for by the fact that the State tourist organisation of Japan makes a more comprehensive count of visitors from Japan than does JAL. There is no doubt that the overwhelming direction of the tourist trade is from Japan to Europe rather than the other way round.

Payments

During 1975, according to Japanese Ministry of Finance statistics, Japanese foreign exchange payments for tourism in the EEC amounted to \$312m, whereas European spending in Japan was only \$26m. The disparity would be even greater if purchases by Japanese tourists in Europe were taken into account.

At a very minimum average Japanese spending on presents and other personal items would be \$100 a person. With something like 300,000 Japanese visiting Europe a year, the extra spending on these items would come to another \$30m. All told, therefore, Japan's tourist "deficit" with Europe is of the order of well over \$300m.—which goes some distance to counterbalancing the large European deficit in visible trade with Japan (\$5bn. this year).

The scope for developing the Japanese tourist trade is great. At present Japanese visitors mostly confine themselves to capital cities—many capitals in a minimum number of days, "doing" Europe much as the Americans used to after the war. This is an unsophisticated trade which is certain to change in character.

Japanese visiting Britain, for instance, spend most of their time in London, barely visiting the countryside, unless they stop on the way to Stratford in the bus. Very few Japanese go to Scotland, to Wales or to the north of England. They spend their short visits in the home counties, and largely limit themselves to going to the Tower of London and Buckingham Palace.

Very few Japanese settle in Europe. In Paris, where there is the greatest concentration, there are little more than 10,000 Japanese residents. And the greater part of these people are students who stay in France for a couple of years at most. The rest are businessmen or government officials.

There is no tendency for the Japanese to settle in Europe, as they have done in Honolulu, in the west coast of America and in Brazil. Nor is there any Japanese community in Europe comparable to the Chinese in London or the Vietnamese in Paris. Almost all Japanese except those married to foreigners sooner or later feel the urge to go home. One reason is that the most Japanese who come to Europe are Ron Bourgeois, quite unlike the impoverished farmers who emigrated to Br America early this century, they have the means at any time.

Lacking a cohesive national appeal—unlike the Chinese and the Vietnamese—and a history that ties with European Japanese have been settle in Europe. The exception to this rule is the community of art has established itself, mostly living in traditional to-mouth existence more financially feasible 1920s than to-day.

Increase

The colossal increase in Japanese tourism has much difference to who live here. A decade there were almost no tourists, just the squads of visiting husbands. But this huge influx of living for Europeans, the Japanese already a few of the latter estate as tourist guides these are usually of JAL, which prefers hot Japanese to the variety.

Yet the seeming omniscience of the Japanese must, long-term trend, be many thousands of girls have married men, and almost all remain in the west. Also an increasing number enterprising Japanese tourists, lonely types who prefer to hitchhike Europe or to take the Euro-rail summer pass.

Henry Scott

in expo try han

Invisibles gap in Europe's favour

Japan had lost its most consistent excuses for its visible trade surplus...

TRADE AND INVISIBLES BALANCES OF JAPAN BY GEOGRAPHICAL BREAKDOWN, 1975 (\$USbn.)

to:	World	U.S.	EEC	of which U.K.
Balance of trade	5,028	1,045	2,500	687
Balance of services	-5,354	-1,907	-1,987	-1,503
of which:				
Transportation	-1,981	-954	-462	-643
Insurance	-165	-42	-30	-10
Travel	-1,115	-229	-286	-59
Investment income	-273	-298	-638	-539
Other (incl. royalties)	-1,830	-384	-570	-232

Source: Bank of Japan.

reckoning, Britain's surplus on invisibles (mainly shipping income) in 1975...

arithmetic was also an explanation of the trade surplus in travel account...

level, and is put at \$5.8bn. for 1975 — and about three-quarters of the Japanese invisibles deficit in that year with the U.K.

On closer investigation, however, it is not one of the pressing disputes with Britain either, precisely because it is one of the few accounts in which Japan has consistently been a debtor to Britain in recent years...

With the prospect of a \$2bn. trade surplus or more in 1977 and an invisible deficit of perhaps \$6bn., the argument that Japan exports goods to help cover its services deficit has tended to recede...

ments to or from third countries. What fundamentally divides the U.K. and Japan on this argument, therefore, is Britain's desire to talk less about the balance-of-payments context and more about the real impact of invisibles trade on the U.K.

This is the crux of Britain's various efforts to show that Japan's invisible deficit with the U.K. is really much less than Japan contends. Last year Britain had a trade deficit of \$486m. compared with \$365m. in 1975 with Japan.

First, the two sides will have to reach some agreement about what is and is not Britain's gain from the invisibles trade.

London's role as a financial and insurance centre will continue to generate indirect capital flows from Japan to other countries through the City, and although Eurocurrency borrowings are registered on Japan's capital account, the interest payments are considered a service debt position.

Thus, by Britain's arithmetic, invisibles went nowhere near covering the imbalance caused by the boom in Japan's exports to Britain.

The Bank of Japan has not yet published the regional breakdown of trade in services for 1976, but observers expect there will be little change, and possibly a marginal drop, in the deficit with the U.K., that is, continuing at around the 1975 level of \$850m. (£275m. on shipping, £225m. on investment income and £150m. on royalties and other items).

Tokyo also points out that branches of Japanese banks and companies spent about \$500m. each year in the U.K., notably on Eurocurrency borrowings (by the local branches), insurance premiums, office expenditure, and so on, or about £166,000 for each of the estimated 3,000 Japanese businessmen residing in the U.K.

Douglas Ramsey

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Voluntary restraint

GROWTH of restraint agreements began to make its appearance, for two or three years has been...

By 1976 an estimated 30-40 per cent of Britain's imports from Japan were subject to voluntary restraints of one kind or another (though in certain cases these might be expressed simply in terms of a "market forecast" by the Japanese industry concerned).

One was the fact that, in that year, the EEC and Japan abandoned their efforts to negotiate a Japan-EEC trade agreement, which would have abolished all surviving item-by-item restraints on trade but substituted (if the EEC had had its way) a general Community-wide safeguard clause providing for emergency action against Japanese imports.

Voluntary restraint is virtually banned in West Germany, technically because it conflicts with German anti-trust legislation, but, more realistically, because German exporters have

more reason to fear similar treatment of their sales by third countries than they have to be worried by Japanese import incursions. In Italy "voluntary" arrangements have played a relatively little part, in trade relations with Japan because the Italians maintain a large number of residual import quotas on Japanese goods (including one which limits Japanese car imports to 2,000 units per year).

The attitude of the EEC Commission to voluntary restraint appears to be that it is a necessary evil pending the signature of a Community-wide agreement with Japan (which, however, now seems to be an extremely remote possibility) but that it should as far as possible fall under Community control. The EEC's external relations directorate "reminded" member Governments last summer that restraint arrangements negotiated at official level were the responsibility of the Commission, not of member Governments (because of the Commission's overall "competence" for foreign trade relations).

It followed up this reminder by carrying out discussions with Japan in the autumn on a voluntary restraint arrangement covering special steel exports to a single member country (the U.K.). The EEC Commission does not attempt to extend its jurisdiction over industry-to-industry agreements negotiated between individual member countries and Japan. However, it does "invite" the industries concerned to submit their agreements to its legal affairs section for clearance under the terms of its own anti-trust regulations. The U.S. steel industry has been forced to watch on the sidelines, with what looks like increasing annoyance and frustration, the "second round" of voluntary steel restraint between the Community and Japan.

any kind which holds Japan to its commitments. This does not alter the fact that the arrangement has practical validity and that the U.S. suspects the Japanese of "diverting" steel to the U.S. as a result of it. Because of their suspicions about the diversion of Japanese goods from the EEC, the Americans have urged Japan to "unveil" the details of all existing voluntary restraint arrangements at the GATT multilateral trade negotiations. Japan has also come under pressure from the U.K. and possibly from elsewhere in Europe, during the past year or two to make a fuller statement of its commitments to restrain exports, so that governments of the countries concerned could reassure their own electorates that measures were being taken to deal with the Japanese trade "problem."

Escalation

Faced with this type of demand, and with the sudden escalation of the Europe trade problem in the autumn of last year, the Ministry of International Trade and Industry did consider drafting a document which would reveal relatively full details about Japanese restraint. The attempt was abandoned, apparently because of the impact that such details might have had on trade relations with the U.S.

The outlook for voluntary restraint by Japan in the European market is that the EEC will try to take more and more responsibility for such matters into its own hands, while the Japanese will become more and more nervous of making public or semi-public undertakings to Europe which could inflame the Americans. The EEC's unsuccessful attempt to drive Japan into worldwide market-sharing agreements on ship exports may be one indication that the bilateral Community-Japan approach to solving Japanese export problems is ceasing to get results.

C.S.

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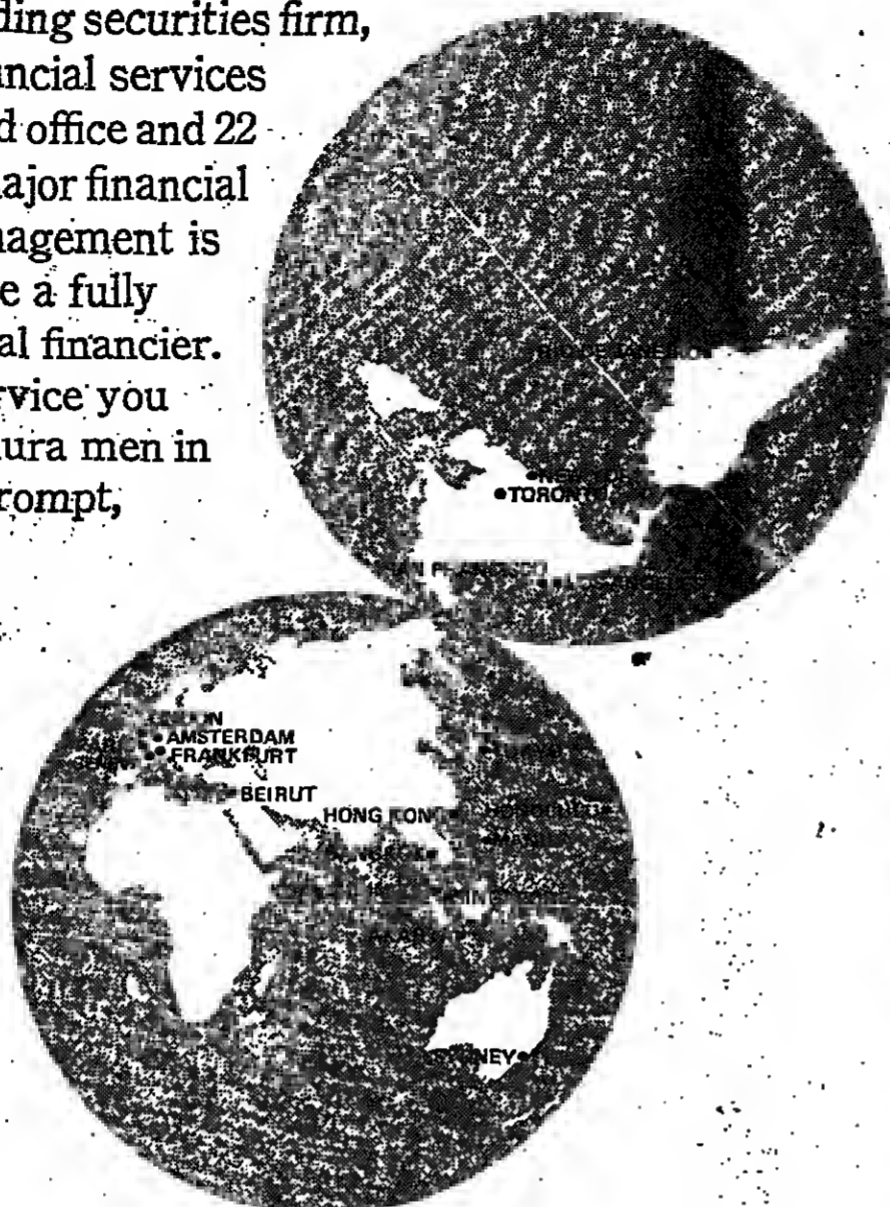
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JAPAN AND EUROPE VI

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Trading companies hold the key

JAPANESE GENERAL trading companies (sogo shosha) are bound to figure in any discussion about trade problems between Japan and the outside world for the simple reason that they conduct a huge portion of that trade. In 1974 the top ten general trading companies handled 58 per cent of Japan's exports and 57 per cent of its imports. Amongst the top ten, the top two, Mitsubishi Corporation and Sumitomo Shoji are also giants by any standards. For the European importer wondering how to penetrate the market it is tempting to believe that the trading companies could act as a kind of fairy god-mother, using their power and influence, if only they could be persuaded to do so, to open all doors in Japan.

In fact the big trading companies do import European manufactured goods into Japan. They are the agents for British products ranging from marmalade to cigarette-making machinery and from tea to offset printing machines. The list of their agencies, however, does not seem to be as long as one might expect and they do not appear to have been much more successful than other would-be importers in penetrating the Japanese distribution system. Why is it that the power and influence of the trading companies has failed to break down obstacles in the Japanese market for European exporters when it has done so much for Japanese exporters outside Japan?

Alternatively, major shosha can be induced to become investors in joint venture operations devoted exclusively to selling the products of major European or U.S. exporters. Mitsui's 65 per cent stake in Leyland Japan (with British Leyland holding the other 35 per cent) is an example of a giant trading company putting its weight behind efforts to even out one of the most crucial imbalances in Europe-Japan trade. A less widely publicised joint venture is that between Sumitomo Shoji and a European partner in Oriental Diamond, a joint venture which imports 79bn worth of diamonds per year, mainly from Britain, and claims to supply about 75 per cent of the Japanese gem market. Another increasingly important role of Japanese trading companies is to promote flows of trade outside Japan. Most of the big shosha are well placed to do this since their overseas sales networks in terms of

number of branches, number and quality of personnel and communications "hardware" are unrivalled by the trading organisations of any other country. What was at one time lacking but now seems to be getting steadily stronger is the motive for trading companies to offer their overseas networks as channels for non-Japanese trade. Trading companies in some parts of the world appear to have served their purpose in creating markets for Japanese products which can now be serviced, without the intervention of the trading company, by the Japanese manufacturer itself. In other instances the shosha have built up world-wide markets for products which used to be exported from Japan but which are now too scarce or costly in Japan itself and thus have to be supplied from other sources. (A case in point is the American market for plimsoles which was successfully developed by Mitsubishi on behalf of Japanese manufacturers but which Mitsubishi is now having to supply from Korean and other Asian sources.) A final, and compelling motive for trading companies to interest themselves in the exports of countries to which they originally only attempted to sell Japanese goods is the need to maintain purchasing power in such countries. Japanese trading concerns frequently get involved in selling East European manufactured goods in the Third World as part of the price of being allowed access to the markets of Eastern Europe. In the case of Western Europe the link between access to the markets and exports to third markets is less direct and obvious but is nevertheless beginning to be apparent.

Examples of successful efforts by Japanese traders to sell West European goods in third markets include the sale by Mitsubishi Corporation's London branch of 400,000 worth of British "canned" foods in the Middle East during the past 10 months and the sale of about \$2m worth of French cigarette-making paper by Mitsubishi's Paris branch in Indonesia. The other, more specialised type of intermediary role which

more exactly, that wanted for their brand name for their low fact very few com. it into the Japanese liberalisation 1967, although a were liberalised (nine of the top teners in 1975 were before 1967, and m before the last war). A survey and until 1973, com dissuaded from goi in the market an told to set up joint The intention, th to continue to "bi technology rather foreign companies with a competitive keep the technolo selves rather than s Japan's interests. and foreign compani could bargain for a Japanese market, a from pre-1967 days might have been licence their produ nology and refrain vesting. Those ground ru after 1973 when n were thrown open cent. subsidiaries Dow Chemical, whe to set up a fully-own to produce caustic s new technology, a countered strong from MITT and the And it is only sinc major new operator competitors from ov been able to move sibly with the 95 per of Burroughs in data processing fir full takeover by C of its joint ventur ftoth.

Indeed, there is recognition by for panies in Japan that 100 per cent stake alternative is to buy pany and leave the u to a solid Japanese Many of the joint already gone hus verge of doing so h decided (or admitte the game that the partner is after tech is willing to accep return on investme foreign partner want than just sell his-ka frankly means a big profitability as well just don't mix.

Authorised The total investment authorised (though not necessarily invested) by the Foreign Investment Council, which approves foreign investment applications on behalf of the Finance Ministry, authorised proposals worth \$195.7m. in 1976 for investment in companies where the investor aimed to have a say in management (that is, where the foreign partner would have between 20 and 100 per cent of a company's equity). But that sum looks small compared with total foreign investment in stocks (\$4.5bn.), and thoroughly insubstantial compared with total foreign investment validated last year.

Profitab

comp... the... ke

Cautious approach to setting up abroad

BY BROWN, the investment in the region (and California, recently unning accounts for another 40 per cent of Tokyo per cent). The bulk of the investment (in investment) increases were accounted for by investments in the development of natural resources, for the siting of labour-intensive industries, and for establishing distribution operations to process increased exports," admits the 1977 edition of MITI's handbook on overseas investment.

In 1976 there was no change in this attitude on the part of Japanese investors, or if there was a change, evidence of it has not yet materialised. Compiled by the Ministry of Finance, the figures show that manufacturing investments took only 29 per cent of new overseas investment in the year to March, 1977 (or \$2.1bn. against \$3.5bn.), virtually unchanged in both percentage and volume over the preceding year.

The investment figures for Europe and America, moreover, are misleading because the acquisition of shares and investment loans. Thus, direct investment (including purchases of real estate and the establishment of overseas branches) account for only 4.5 per cent of Japan's total overseas investment—and manufacturing activities in the developed countries are a very minor part of that total.

Looking ahead, MITI anticipates that "machinery industry may make substantial contributions to increasing overseas investments through the establishment of assembly plants," but expects a growing share of manufacturing investment to be channelled into projects for intermediate goods, notably chemicals and primary metals—both in developing and not industrialised countries. Thus, MITI forecasts that in 1980 all investment abroad in machinery (including electrical and transport) will be about 8.1 per cent of total investment by Japanese companies, or exactly the same as in 1976. Certainly, dollar investment greater than the relatively cheap \$1.6bn. outstanding in overseas machinery industries at present (in fact about double according to MITI's forecast of \$3.1bn. in 1980), but it will still leave Japan far behind the U.S. in terms of manufacturing investment abroad.

There are reasons to believe, however, that the official projections of overseas investment for 1980 may well prove to be underestimated. Above all, there is growing resentment in both Europe and America that despite Japan's huge trade surpluses and exchange reserves, still insists on exporting most of its goods to industrial markets, thus providing employment at home in Japan but, in some cases, taking away jobs in the buyer country's competitive industry. Japanese officials contend that U.S. and European companies only invest abroad when an overseas site provides a more competitive basis for manufacturing; Japan, for its part, has the edge over other industrial countries, and therefore has so far needed to invest much less abroad with the exception of industries threatened by other exports in the region (like textiles).

Disputes

Until the oil crisis, there was little concern in Europe or the U.S. about Japan's low level of investment in their economies. Since then, however, disputes have arisen over a whole series of Japan's exports, notably in the case of manufactures like cars, ships, steel and electronics. The prevailing opinion at MITI and in Japanese industry still seems to be one of wait-and-see: there have been few cases where Japanese companies were obliged to set up in an industrial country to avert being excluded from that market through import restrictions. In 1974, for instance, YKK, was charged with dumping in the Canadian market and as part of its agreement with Ottawa has since built a local zipper factory which now accounts for over 90 per cent of YKK zipper sales in that country. But YKK's experience has not been repeated, yet, to the export industries. Will it in Europe, at least, there appears to be growing ill-feeling towards Japan's exports, compounded by declining employment in certain key industries which compete with

Japanese companies on instance, is interested in making colour television sets in the U.K. where Sony and Matsushita are already established. Despite a very early response from government officials, though, Hitachi now faces opposition from the British TV industry which fears that excessive Japanese investment will kill off the U.K.-owned industry and create fewer new jobs than the ones which will be lost. That would particularly be the case if Hitachi wanted to export a high proportion of TV components from Japan for assembly into the final U.K. product.

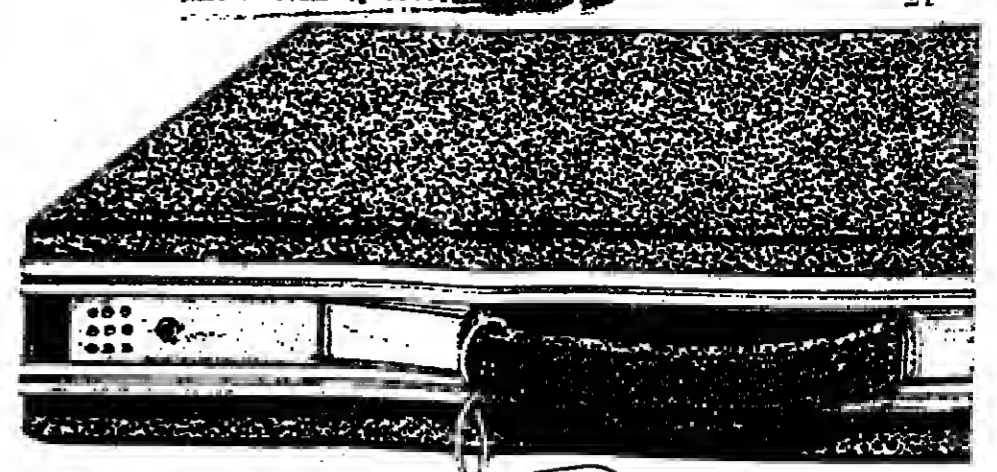
Second, Japan is reluctant to invest where labour costs or labour relations have proved a failing for local industry. Not paradoxically, these are the markets which are the most insistent about new jobs from Japanese companies. So far, Japan has had qualified success at its plants in the U.K., but it is by no means certain that the U.K. experience will continue that way.

Third, Japan is naturally less interested in investing in Europe than it is in the U.S. Political considerations aside, the U.S. also represents a more substantial market for Japanese goods: at present Japan sends its car exports (only 15 per cent to the EEC), and the scale applies to most of its biggest export items.

Consequently, import restrictions in the U.S. on any given items have a disproportionately larger effect than do restrictions into the European market. Add to this the Japanese propensity to be more bullish on America than on Europe, and it is clear that the U.S. will be the most attractive centre for Japanese investment, as evidenced by the sympathetic hearing Mr. Brown and other U.S. governors have had from Japanese car companies who would have ruled out the possibility of opening up U.S. assembly lines just two years ago.

The rule-of-thumb used at MITI holds Japan's overseas investments accountable for only about 1 per cent of Japanese sales abroad, and thus there would seem to be ample room for expansion of manufacturing facilities in developed as well as developing countries. Britain and the U.S. are now becoming more vocal about the need for Japan to provide employment opportunities to export to those markets, and Japanese companies seem to be reluctantly moving in that direction. But there are caveats.

First Japan may not be allowed to invest too heavily in certain industries even if it wants to do so. Hitachi, for



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Europe's financial stake

PER CENT. of all investment in Japan in the latter's direction. Beyond that, one takes for granted that the European financial centres have become more interested in Japan in the 1970s, as reflected in the mushrooming of investment funds (Europe as well as Asia-based) geared entirely to the same Japanese portfolios, and this despite the considerable difficulties in operating on a stock market which is fraught with the industry's far more insider dealing and abnormally higher p/e ratios.

And one might that Europeans are accustomed to such consequences. Indeed, the paradox of investment in Japanese shares and bonds in the last three years is that foreigners seem to have kept well ahead of the markets themselves. It is hard to put a figure on the return to foreign portfolios, but they have been substantial. Averaging the increase in net asset values for a dozen of the major foreign "Japan funds" turns up an astounding 90 per cent average rise in net assets in the two years to December 31, 1976. That compares with a 42 per cent rise in the Tokyo Stock Exchange Index for the same period. And for 1976 alone, foreign investment trusts seem to have improved their net assets by an average 35 per cent, whereas the TSE Index went up 24.2 per cent. (These figures are calculated on a dollar base, so in Yen terms the relative performance of the TSE and foreign trusts might have been slightly different.)

Profitable

Another indication of how profitable the Tokyo market has been to foreign investors is the performance of European-based trusts, even though depreciated from buying up coupons on the U.K. unit trusts geared to Japanese portfolio two years. One obvious reason investment have outpaced all others in the last five years the relatively high interest rates (S and P Japan growth in first place, M and G Japan in second) and even in 1976 three trusts counted among the top 10 performers were among the top 10 performing sterling unit trusts (GT Japan and General, M and G rise in foreign investment in Japan, and S and P Japan investment, the performance of Swiss trusts has also been good with the advantage of a declining \$1.6bn. last year.

investor currency, so one can safely assume that the Europeans have fared well with their Japanese portfolios, especially after they took substantial losses in 1974 when they rushed to dump their previously bought Japanese holdings. In that year, foreign investors bought only \$605m. worth of stocks and bonds, or net sales of \$1bn. Still, investors were quicker to become bullish on Japan than most other leading economies, and in 1975 more than three times as much stock was purchased on behalf of non-residents than the previous year: net purchases came to \$590m. By 1976, the balance sheet of Japanese stocks was largely restored despite a net outflow of a little over \$100m. Still, trading for foreigners in the full year (sales plus purchases) rose to an unprecedented \$6bn., or nearly three times the volume transacted two years earlier, and rising faster than overall stock trading in Japan during the period (up about 50 per cent).

Foreign interest stayed high through most of the first quarter of 1977, with purchases and sales of shares balanced at around \$1bn. each. But since then, as one foreign investor says, "we've had to take it on the chin." A combination of factors, since February have made investing in Japanese shares (a) less attractive to U.S. and European managers, and (b) less profitable in Yen terms for foreign investors already in Japanese stocks.

The rise and fall of foreign interest in Japanese shares, however, does not seem to have been detected by portfolio managers from buying up coupons on the Tokyo bond market in the last two years. One obvious reason for the popularity of bonds was the first engineered by the Ministry of Finance through an official discount rate which went unchanged from October 1975 until March 19.

The rates induced a steady rise in foreign investment in medium and long-term coupons which amounted to net purchases of \$283m. in 1974, then \$324m. in 1975 and climbed to \$423m. in 1976, more than double the amount of the bond market in the first quarter.

Through March, moreover, foreigners were buying much more than they sold on the bond market, and trading reached over \$1.4bn. in the first quarter, a 63 per cent increase on the same three months in 1976.

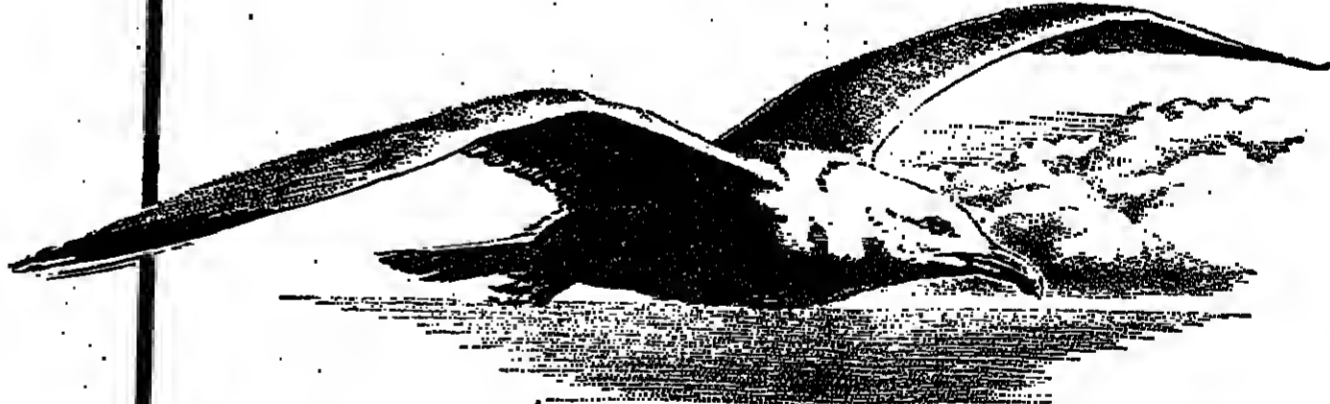
But in March, the government began to drive down interest rates, and by May net selling by record foreigners appeared on the market (although some dealers put this down to a seasonal decline in that month).

Thus, foreign portfolio managers are now beating a retreat on both fronts, although profits expressed in dollars on coupons have largely exceeded those on shares (and foreigners divide between the two markets).

The outlook for the rest of 1977 is so-so. Says one optimistic fund manager, "The upside target for the Tokyo Stock Exchange is 5,500, which means a 10 per cent overall potential after the market stayed flat in the first half." But other dealers are inclined to disagree and say that Tokyo will do well if the index grows by half by next December. They insist, moreover, that most of the favourite stocks with foreign investors are overpriced in mid-1977, and point to the average price-to-earnings ratio of over 20 times in May which make most Japanese shares look a bad buy if foreign investors must switch funds into Yen at the present rate.

The Yen's course will, in fact, be a decisive factor in determining foreign interest in Japanese stocks and bonds, and there is little prospect of a major new infusion of foreign funds until the Yen weakens (although Arab investors are reportedly underpinning overseas buying just now). More immediately, the Yen at 265 or stronger to the dollar is seen by European and U.S. portfolio managers in Tokyo as a strong incentive for Japanese investors to put their spare cash into overseas markets. Recently, the Ministry of Finance liberalised exchange regulations on Japanese investment in other Asian stock exchanges, notably Hong Kong and Singapore, so foreign fund managers see a potentially huge market in Japan for overseas equities.

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JAPAN AND EUROPE VIII

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The Dusseldorf community

THE JAPANESE business community in Dusseldorf—the largest in any European city—is more than a little tired of being the butt of European media. *Le Pèril Jaune à Dusseldorf*, as one French magazine has chosen to describe the phenomenon, is in fact a sober affair. German TV coverage of the community, which has dwelt on its ghetto-like aspects, has equally disturbed the Japanese on the spot. "Not all of us speak German fluently, it is true," commented a trade official there, "but we don't expect German visitors in Japan to wrestle very adequately with our language either."

The presence of the Japanese is most apparent along the Königsallee, where visitors from Tokyo do their shopping, buying lighters and other novelties (presents for home). There is a mass of shops sprinkled with Japanese language signs only, as along the Avenue de l'Opéra in Paris. And the other peak concentration is in Immermannstrasse, when the Nipponkan, the local business community's leading restaurant, is situated, together with the banks and trading company offices.

Not only do the Japanese have their own school. They also tend to stick very much together in the evenings and at week-ends. Feasts at the Nipponkan, where prices range upwards from DM100 a head at business banquets, are sometimes attended by German conferees. But for the most part the Japanese keep pretty much to themselves, not least because there is a language barrier.

companies like Shin Nippon Steel, Kawasaki Steel, Koke Steel, Nippon Koban and others but also a number of more specialised firms: Hitachi Metal, Nissin Steel and Japan Steel-works. By contrast, only Shin Nippon Steel has a London office among the major Japanese steel firms.

Not that the Japanese business community, for all its size, is quite as high-powered as that in London. Not only are shipping, and insurance, and the commodity U.K., where the Bank of Tokyo, notably the LME, make the leading foreign exchange bank, has almost three times as many staff as in Dusseldorf. The trading firms in Germany tend to be controlled from London, where Mitsui Europe presides over long-term strategy in this part of the world.

Rationale

Nor is Dusseldorf continuing to expand much. In a way there is only one reason for the Japanese to remain here: they are already established. The original rationale—the presence of the Ruhr steel industry and the big ideal engineering companies—is somewhat weaker now that the Japanese have obtained the reputation of the world's most efficient steel-makers, and the inward flood of technology from the west has largely come to a halt.

London has much more in offer in the longer run. It is a more sophisticated city as one official at the Japan External Trade Org. put it. The press centre, the presiding bankers concentrated to the U.K., and the commodity market, notably the LME, make the leading foreign exchange bank, has almost three times as many staff as in Dusseldorf. The trading firms in Germany tend to be controlled from London, where Mitsui Europe presides over long-term strategy in this part of the world.

Ghetto

"And so you would classify this as a ghetto?" asked a Japanese trading company official. "Well, you may label our community in this way if you like, provided always that you do not have any objection to our making similar remarks about the Western businessmen in Tokyo, crowding together at the Foreign Press Club and other places, not always to make nice remarks about their host country."

Talk of ghettos is in fact a little old hat. The Japanese business community in Dusseldorf is one of the most longstanding in post-war Europe, and the Japanese would never have done the amount of business recorded in West Germany to date if they had chosen to limit their contacts with Germans to merely cold office hour engagements.

What distinguishes the Japanese in Dusseldorf from those elsewhere in Europe is rather the homogeneity of the Japanese, who have set up what was for some years the only major Japanese school in Europe (Paris and London acquired their Japanese schools only in the past couple of years). Established in the early 1970s the Japanese school in Dusseldorf has over 500 children of local businessmen, together

The steel companies are usually accompanied overseas, wherever they establish themselves, by the trading companies which handle the overwhelming bulk of Japanese steel exports. Thus, the largest firms in Dusseldorf, in terms of Japanese staff on the spot, are Mitsui and Co. (40 staff), Mitsubishi Corp. (25) and Marubeni Corp. (20).

The traders and steelmen, meanwhile, have gradually shifted the focus of their work. In the old days—in the 1960s—they came to Germany because they had concluded that the best European steel and machinery technology was to be found in the Federal Republic. Today the Japanese have much less to learn from the Germans and the exchange of know-how is about equally balanced. "What they are really doing is trying to sell

"while at the same time they are looking for information, for example advance warning of major steel orders for big projects in the Middle East."

The balance of trade has shifted in Japan's favour, and big traders like Mitsui, whose turnover is concentrated in steel, chemicals and machinery, remain discreet on the subject of their turnover. The Japanese in Dusseldorf, as elsewhere in the Community, are hypersensitive to suggestions that they are flooding European markets "aggressively."

The immediate and more visible point, however, is that the business companies, notably the trading houses, are at the pinnacle of the local Japanese community (whereas the banks are the big boys in London). Thus the Japanese school in Dusseldorf is under the tutelage of Senzaro Suzuki, the top Mitsui man in the city, whose firm helped to raise from the local Japanese companies half the money needed to buy land and establish the school six years ago. The other half came from the Japanese Government.

Inadequate aid effort

JAPAN HAS one of the most embarrassingly large balance of payments surpluses among the member countries of the OECD and one of the most inadequate foreign aid programmes. The contrast is beginning to upset the Japanese themselves, judging by the strenuous efforts now being made to ensure that the figures for "official development assistance" (the Government portion of aid) look rather better for 1977 than they did for 1976 and previous years. At the back of such efforts is the Prime Minister, Mr. Fukuda, himself, a man who combines a seemingly far-sighted grasp of international affairs with an equally clear appreciation of the need to try to balance the budget.

Officials say that this type of collaboration is attractive because private business gets things done more quickly because of its concern with profits.

Small

The second reason for Japanese aid being inadequate is that the aid budget itself is too small—in other words, even if all the money provided in the budget was spent every year Japan would still be doing poorly as a donor country. Some impression was made on this problem at the start of 1977 when the annual aid appropriation in the budget was stepped up by over 20 per cent, and the figure for the value of ODA appropriations was published for the first time—previously this figure had been "buried" among a series of detailed appropriations to individual Ministries and agencies. The Foreign Ministry estimates, however, that the budgetary and appropriation will need to rise by 20 per cent every year for at least the next five years if Japanese aid is to reach OECD average levels. This is a target which may prove fairly hard to achieve.

Another idea is to use Government aid funds jointly with those of private industry. So far there has been only one project in which ODA funds and private Japanese funds were used together (an oil refinery in Iran).

Part of the solution to this situation, which was decided upon a month or so ago by a task force of various officials concerned with aid, is to shift the emphasis from project aid to "commodity aid"—that is, to giving money for the import of anything developing countries think they need with the exception of specifically banned items such as arms.

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One problem which stands in the way of continuing sharp increases in the aid appropriation is that Japan is struggling with a chronic budget deficit of enormous proportions. This year's main budget included a 30 per cent borrowing which could be further by the introduction of a supplementary budget late in the year. Another problem is a strict "rule of the thumb" under which the Ministry of Finance allocates to various Ministries, rates that each Ministry's spending increase should not exceed by more than a certain amount (figures are confidential based on tradition). The Ministry, which is spender of aid funds under a ceiling of 20 per cent.

The problem of expenditure cut circumscribed in the budget by the creation of a special new aid fund moving agricultural self-sufficiency in countries) which was to the Finance account instead of the Ministry of Foreign Affairs. Similar devices could again in future, but obviously be better if the Finance Ministry thumb formula.

The main reason for the failure of the official programme to meet international standards is that the various aid giving agencies do not manage to spend the money appropriated for the purpose in the national budget. The amount appropriated for aid in the 1976 fiscal year (running from April 1, 1976, until March 31, 1977) was ¥450bn. (about \$1.5bn. at the average exchange rate for the year). If this money had all been spent the ratio of ODA to GNP would have been 0.266 per cent, instead of the 0.20 per cent, which was actually achieved (in the admittedly not quite comparable calendar year). Finding out why aid funds are not spent even when they are available in the budget, and how more can be spent in future, has been a top priority of aid officials at the Foreign Ministry and in other related Government departments during the past few months.

The answer appears to be that aid funds do not get spent because the Japanese authorities have tended to insist on the use of funds (particularly bilateral Government loans) for projects of the kind that have simply not been materialising in the confused economic situation following the 1973 oil crisis. Projects to which Japanese

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JAPAN AND EUROPE IX

The London presence

AFTER the Americans, the biggest single group of foreign banks represented in the City of London is the Japanese. A total of 23 Japanese banks have a presence in the City, mostly in the form of full branches. Some have been established for a long time, with the representation of Mitsubishi Bank, for example, going back originally to 1920 and to Mitsui to 1824.

Other Japanese banks have recently arrived more recently, and they include, beside the leading commercial banks, several of the Japanese trust banks and long-term credit banks, which carry out rather different functions. Together, the Japanese banks in the U.K. had at the last count currency deposits of £14.6bn. in mid-June, equivalent to over 12 per cent. of the total held by U.K. banks.

Experience

Other Japanese banks have linked themselves with London-based merchant banking groups to help develop activities in the international markets and to draw in experience. Relationships of this kind which have been set up in recent years include Fuji Bank's partnership in a financial services company with Treflennant Benson, Mitsui Bank with H. Hamuros, Sanwa with Arising Brothers, Sumitomo Bank with Crédit Suisse White and Tokai Bank with Morgan Grenfell and Kyowa Bank.

The variety of activities of Japanese banks was also attended with the establishment in London about the beginning of this decade of two purely Japanese consortium groups—a rd was based in Paris. These

bring together both banks and the important Japanese securities houses, themselves in many cases active in the City. Associated Japanese Bank (International) has as its shareholders Sanwa Bank, Mitsui Bank, Dai-ichi Kangyo Bank and Nomura Securities, while Japan International Bank brings together Fuji Bank, Mitsubishi Bank, Sumitomo Bank, Tokai Bank, and three securities houses, Daiwa, Nikko and Yamachi. Both are involved in international banking, with particular emphasis on medium to longer term Eurocurrency loans; and both last year reported useful profit increases, with associated up from £1.7bn. to £2.1m. pre-tax and Japan International improving from £1.8m. to £3m.

The representation of the Japanese banks in London, therefore, is extensive and shows a considerable degree of variety, with some banks participating in several different ways. To a major extent, the developments of their activities are a reflection of the conscious and widespread efforts which they have been making to extend their international representation and experience. Essentially, the long-established foreign activities of the Japanese banks, including the branches in London, have been geared predominantly to Japanese business. They have been there to provide trade finance for the country's exporters, to service their needs abroad, including where necessary, finance to establish foreign operations, and to support the associated foreign exchange operations which provide an important part of banking profits.

The Japanese banks have not until fairly recently, however, participated to a substantial degree in the development of the international capital markets based on the Eurodollar and other currency funds available in London and elsewhere, nor have they had the widespread representation and experience which gave the U.S. banks an important lead in developing worldwide banking activities. All the leading Japanese banks have commented on this situation recently.

In its last annual report, for example, Sumitomo Bank commented on the "internationalisation of the Japanese economy" and the need for the banks to help the country's enterprises in securing funds through overseas capital markets. Mitsubishi Bank drew attention to the development of its international activities, including the "major challenge" of underwriting business in the Eurobond market—carried out through its Brussels subsidiary. Fuji Bank commented on the rapid international development of the Japanese banks in the past few years, and said that

"TRADE PROBLEMS between Japan and Europe can ultimately only be solved on a cultural level," says Mr. Oyamada, managing director of the Japan Foundation, which is Japan's five-year-old version of the British Council. That being the case one may wonder why Japan is apparently spending much less money on promoting cultural understanding between itself and the outside world than most other major industrial countries.

The Japan Foundation was established in October, 1972, on the initiative of Mr. Takeo Fukuda, now Japan's Prime Minister, but at that time Minister of Foreign Affairs. The foundation, which was consciously and directly modelled on the British Council, was originally meant to have an endowment of ¥100bn. (£210m.) to be contributed jointly by the Government and by private enterprise. This, however, says Mr. Oyamada has turned out to be "just a dream."

The reality is that the Foundation's endowment was ¥20bn. at the end of last year, at which point Mr. Fukuda assumed the

most major financial institutions are now represented in principal financial centres." But in a refreshingly open statement Dai-ichi Kangyo Bank, the country's biggest since the merger in 1971, also underlined the weaknesses of the situation. "The 1970s saw an all-round spurt in the internationalisation of Japanese banking operations," the bank said, "but the position is still unsatisfactory in comparison with American banking moves. It may be safely said that Japanese banks are lagging up to ten years behind the giant American banks, both in

quantum and quality of international operations." Besides providing a method of entry to the international banking markets, there can be little doubt that over the past few years the London outlets of the Japanese banks have fulfilled another important function as a training ground. The consciousness among the banks that they have lagged behind the U.S. banks in their international development reflects also an awareness that, while in the more traditional fields of banking they have maintained an adequate and profitable international service, they have perhaps been behind even their

premier and used his influence to have another ¥5bn. worth of funds included in the 1977 budget. The foundation hopes to get another ¥15bn. in 1978, which would bring the Government portion of its endowment up to the originally targeted figure. This hope is based partly on Mr. Fukuda's continuing interest in overseas cultural promotion and partly on the fact that the Foundation's work involves spending dollars overseas—whilst Japan is only too anxious to do at present because of its embarrassing foreign exchange surplus. The private portion of the Foundation's funding, has remained "fractional," Mr. Oyamada says, despite the original hope that the organisation would receive strong backing from business. One reason for this appears to be that Japanese companies have, by and large, preferred to run their own cultural programmes which can be tailored more closely to their business interests, besides, no doubt reflecting more credit on the sponsors than a contribution to an official organisation. Companies which are active

in the international cultural field include Toyota, whose three-year-old Toyota foundation will have an eventual endowment of ¥10bn. Matsushita, which makes individual donations to overseas "causes," including one of \$500,000 for the establishment of television broadcasting in Indonesia. And major trading concerns such as Mitsubishi, Dai-ichi and Sumitomo. The cumulative value of these activities is probably a good deal larger than the official propagation of Japan's cultural lies with the outside world done by the Japan Foundation. But company programmes presumably tend to assist the image of the company concerned rather more than that of Japan.

Comers The Japan Foundation's budget for 1977, at ¥3.5bn., was one-sixth of the British Council's for the same year (according to yen-based figures in the Foundation's own annual report). Its has had to think carefully about which are still in reality, merely corners of the Japanese Embassy in their respective countries) have to be compared

to the 80 countries in which the British Council claims to operate. All this makes the foundation's efforts to act as a cultural ambassador for Japan look almost pathetically small. But the situation is not quite as uneven as it appears. This is because Japan has another, and older organisation devoted to furthering international co-operation in the field of science which is one of the jobs for which the British Council is responsible. The Japan Society for the Promotion of Science was founded in 1967 and has an annual budget of ¥2.1bn. It promotes the exchange of scientific personnel between Japanese and foreign universities—but does so, according to some observers with "rather more practical objectives" in mind than those which normally guide the British Council.

With not much money to spend and with a highly inaccessible national culture to promote, the Japan Foundation has had to think carefully about its priorities. These have tended, up to now to stress the U.S. and South East Asia as the main target areas for cultural

place after the unrest which arose in mid-1974 in the international markets in the wake of the Herstatt collapse.

Adjusted The activities of Japanese banks in the international bank markets were one of the sufferers as the banking community adjusted its sights, and for a period they were paying a premium for funds in London. At about the same time, more over, the development of their international activities was inhibited by the official move by the Japanese authorities to stop the banks participating directly in medium- and long-term foreign currency loans; so that in order to service their clients, the banks had to rely on foreign subsidiaries and affiliates rather than branches.

Now, however, with a substantial body of experience in call on the Japanese banks are able to undertake a steady and considered extension of their international activities. This will involve a continued expansion of their representation in the main financial centres. But London will remain a vital

link because of the historic connections of the Japanese banks in the traditional areas of trade finance, and because the City is now one of the most important centres for the newest kinds of international banking. The next major change may result from the present indications that the Japanese authorities are willing to see a gradual internationalisation of the yen itself, a move which in the past they have consistently resisted.

With the Japanese currency beginning to circulate on a larger scale internationally—and being used, for example, as one of the denominations of currency holders of sterling in the recent U.K. move to run down the sterling balances—the position of the Japanese banks could change again. One point on which they are expected to insist, as Tokyo develops as an international centre attractive to foreign banks, is that the Japanese banks should be permitted similar reciprocal facilities in other countries to open offices, as they extend their representation.

Michael Blanden

other organisations which are already teaching Japanese in various parts of the world. Mr. Oyamada says that about 300,000 people outside Japan are studying Japanese at present, but around half of these are in Korea and most of the remainder are in Asia, Oceania and the Americas. Korea, Australia and New Zealand are the only countries which at present conduct regular Japanese courses at high school level.

The language gap, which the Japan Foundation evidently feels incapable of bridging, is a major reason why Japanese culture—and that means what the Japanese really think and feel about the problems of today's world—remains so inaccessible to the west. As of now English speakers cannot even bridge the gap by reading books because most of the writings of present day Japanese sociologists and economists have yet to be translated into English. Hardly surprising then—as Mr. Oyamada admits—that westerners continue to think of the Japanese as economic animals and not much else.

C.S.

Promoting the cultural image

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JAPAN AND EUROPE XI

A Philips/Matsushita tie-up

Matsushita Battery higher than most of the competition. Mr. Deweerdt, the Philips executive who is in charge at Tessenderlo, claims that the PMBC's production rate of 600 batteries per minute on each of its lines is, in fact, about double that for most other European manufacturers.

Almost all the machinery at Tessenderlo was designed and built by Matsushita which started making batteries in 1931 and new claims a considerable reservoir of expertise on the subject. Philips had no involvement in dry batteries until it teamed up with Matsushita at Tessenderlo and is still not making them anywhere else in Europe. However it goes without saying that the factory would be doing less well than it is, if it relied only on the Matsushita brand name in Europe instead of both the Philips and Matsushita names. Something like 70 per cent of Tessenderlo's output goes out under a Philips label (although the proportion obviously varies quite a bit from country to country). This explains why Matsushita men claim that the Philips-Matsushita tie-up (to Japan as well as in Belgium) is a demonstration of "synergy"—that is, of the principle that if you add one to one the result is sometimes more than two.

Because its partner is Philips and because it felt grateful for the way Philips had assisted it in Japan since 1951 Matsushita originally intended to put its

joint venture investment in Holland. When it came to look at the economics of the project in the late 1960s, however, it realised that labour was too scarce in the Netherlands to make a Dutch investment attractive. The Belgian Government, meanwhile, was offering some very generous tax and interest rate incentives for investments in areas where coal mining was being phased out and Flemish labour had a reputation for steadiness. Philips-Matsushita was the first company to set up in the Tessenderlo industrial estate (which now has a formidable array of well known multinational names including a number of Americans). Tessenderlo is, in fact, only 60 kilometres from the Philips headquarters at Eindhoven just over the Dutch border.

Management

Philips-Matsushita is run on Philips management principles, not on Matsushita ones, which means that there is no daily assembly at the plant, no standard uniform for both workers and management and generally rather less emphasis on "togetherness" than one might expect to find in a Japanese factory. Matsushita's only representative at PMBC is a technical consultant who is careful to let the Dutch management do things its own way. The Philips approach, however, is evidently not as different from the Japanese way of doing things as that of some more traditionally minded European companies.

Although managers do keep their distance somewhat more than they would if they were Japanese, there is no separate executive dining room at PMBC and everyone has to find a space in the company car park as best he can. There have been no strikes so far and absenteeism is low (about 5 per cent. for male workers).

PMBC's aim in life is a "long-term increase to market share" within the EEC—an ambition which presumably has to be regarded seriously given that Matsushita controls 55 per cent of the dry battery market in Japan. Increased market share will be sought by improving the quality of the batteries themselves (for which there is claimed to be scope despite the fact that the basic (French) technology is now over 100 years old). At some stage PMBC may consider moving on from Le Clauchet zinc and manganese dioxide batteries to lithium or some other more advanced type, but to do this would require a reorganisation of the contract between Philips and Matsushita which only provides for technological collaboration on the Le Clauchet type. The move into lithium, if and when it comes, would mean a new, and potentially more serious challenge for other European battery makers.

C.S.

Motorbikes for the EEC

in the town of engine but later decided to substitute a two-stroke engine since this was what European dealers and servicing engineers seemed to be accustomed to. Investment in the original plant was meant in the original plan was B.Fr.7.1m., a figure which had risen to B.Fr.10.3m. after 13 years of operating.

Mr. Kido, Honda's manager in Aalst, says the basic reason for setting up in Europe was not getting round import barriers but being close enough to the market to be able to respond to the shifting pattern of demand in different countries. Safety and homologation requirements differ in nearly all the markets Honda is serving from Aalst and consumer tastes are liable to vary as well. These continuous adjustments in the production schedule are needed to make sure that output matches demand.

Communications

Having the plant in Belgium means that communications are about as good as they could be anywhere within the EEC. But there is a price to pay—the Aalst factory labour force is the dearest in the Community (equal with that of West Germany and the Netherlands). Mr. Kido estimates that Honda is paying its Aalst workers about double what Japanese investors in Wales are paying. The ex-factory cost of produc-

tion at Aalst is higher than it would be in Japan but Honda estimates that the delivered cost of a Japanese-made Camino in Belgium (including freight and import duties etc.) would be 2 to 3 per cent. higher than the Aalst production cost.

The Camino is an all-European product so far, as its frame is concerned, with the parts being mainly from Belgium, Germany, France and Holland. The engine, which accounts for 30 per cent of the value of the finished product, is produced at Aalst because production at Aalst is not yet high enough to make local manufacture economic. The floor level for local manufacture of engines would be around 15,000 units per month, substantially but not inconceivably more than the current production level of Caminos.

Apart from conceding the possibility of making engines Honda says there is a definite prospect that it may set up a car manufacturing plant some time in the future. However, would not be at Aalst where there is not nearly enough space for such a venture and perhaps not even in Belgium. Honda previously ruled out the U.K. as a possible site for a car plant on the grounds that its labour relations were chaotic, but some people in the company seem ready to reconsider their earlier dismissal of Britain.

Honda SA has had no labour troubles for the past six years (when there was a strike over a wage claim). Mr. Kido says that the plant's Flemish workers seem "very devoted" to their task and rates productivity at something very close to Japanese levels. A suggestion scheme which was launched at Aalst was "not very successful" but ideas have come from the factory floor through various channels including after-work meetings of the different production sections. One of these produced a new approach to the automation of wheel assembly which is now in use at Aalst.

Family

Honda SA is a Belgian-managed plant, except for its general manager and sales manager. The plant however is very much part of the Honda "family" in Europe. A row of rather impressive looking silver cups in Mr. Kido's office includes not only some local golf trophies but also the runner-up's cup in the Honda European football league (played between the company's four subsidiaries in the EEC). Honda's general approach to its Belgian operation is to try to create an "atmosphere where people can feel pride" and to recognise that "we must move step by step—we can't explode here the way we did in Japan."

C.S.

Sony provides local colour

As at other Japanese factories there is no separate dining room or car park for executives and the same grey or blue working tunics are worn by everyone. Japanese managers are called "Mr..." during working hours by shop floor workers but are often addressed by first names (sometimes adapted English ones) at the social events. Sony makes a habit of sponsoring. Finally, labour relations at Bridgend are based on a single union system which Sony took care to clear with the TUC before it opened the plant. The company negotiates with the AUEW and with no other union, but individual workers are free to be members of other unions if they wish. Wages are based on a rate for the job, not on the Japanese system of payment by seniority.

Positions

Sony has put Japanese executives into two out of the three top management positions and has divided departmental management posts almost 50-50 between Japanese and U.K. The plan now is to increase the U.K. element steadily as experience is gained, ultimately arriving at a point where Bridgend will operate under a British general manager. The managers at Bridgend arrive in the office at only about 40 Bridgend arrive in the office at only about 40 (strength of 520) 7.30 a.m. and spend an hour on the factory floor before their own eight-and-a-half hour working schedule day in the office begins.

As at other Japanese factories there is no separate dining room or car park for executives and the same grey or blue working tunics are worn by everyone. Japanese managers are called "Mr..." during working hours by shop floor workers but are often addressed by first names (sometimes adapted English ones) at the social events. Sony makes a habit of sponsoring. Finally, labour relations at Bridgend are based on a single union system which Sony took care to clear with the TUC before it opened the plant. The company negotiates with the AUEW and with no other union, but individual workers are free to be members of other unions if they wish. Wages are based on a rate for the job, not on the Japanese system of payment by seniority.

The point Sony itself likes to stress most about the Bridgend operation is quality control. About one-third of the labour force is in the checking inspection divisions, which include not just extensive and elaborate final testing procedures, but numerous intermediate checks on the circuit-board production line, and elsewhere. Sony has applied its rigorous standards to its U.K. parts suppliers as well as to itself. "Before we started here we explained to

parts makers the quality control rules they must accept to be classified as Sony suppliers," says one of the U.K. managers at Bridgend.

Some companies said Sony was demanding absurdly high standards but the majority evidently felt the effort was worth making. The British company which supplies cabinets for the Bridgend plant now has its own "Sony production line," and the infectious "Sony spirit" is said to be spreading to the girls who work on it. Altogether the Bridgend plant has about 40 U.K. suppliers who provide parts constituting roughly 50 per cent of the value of the finished TV sets. The main imported component is the Trinitron Tube, unique to Sony and therefore unavailable to British industry.

The Bridgend factory is providing about 30 per cent of total Sony sales in Britain besides exporting some 20 per cent of its output to other markets in Europe. The factory makes two sizes of colour TV sets (18 inch and 20 inch) leaving the smaller sizes to be supplied by Sony plants in Japan. Sony is reticent about its future plans for Bridgend. If it intends to step up production or expand the range of products it is certainly not going to let its competitors know before it has to.

C.S.

Harnessing Siberia's wild horses

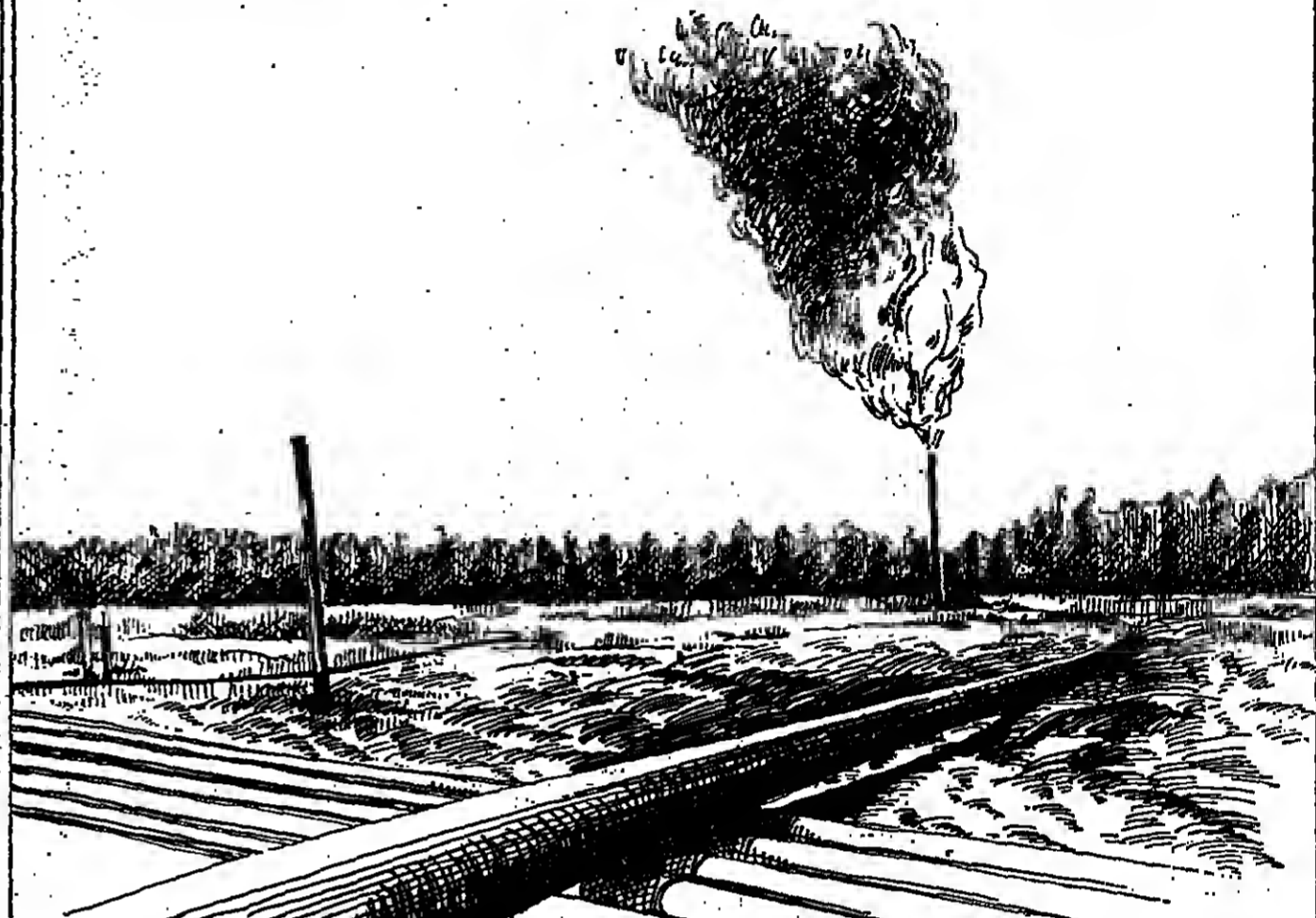
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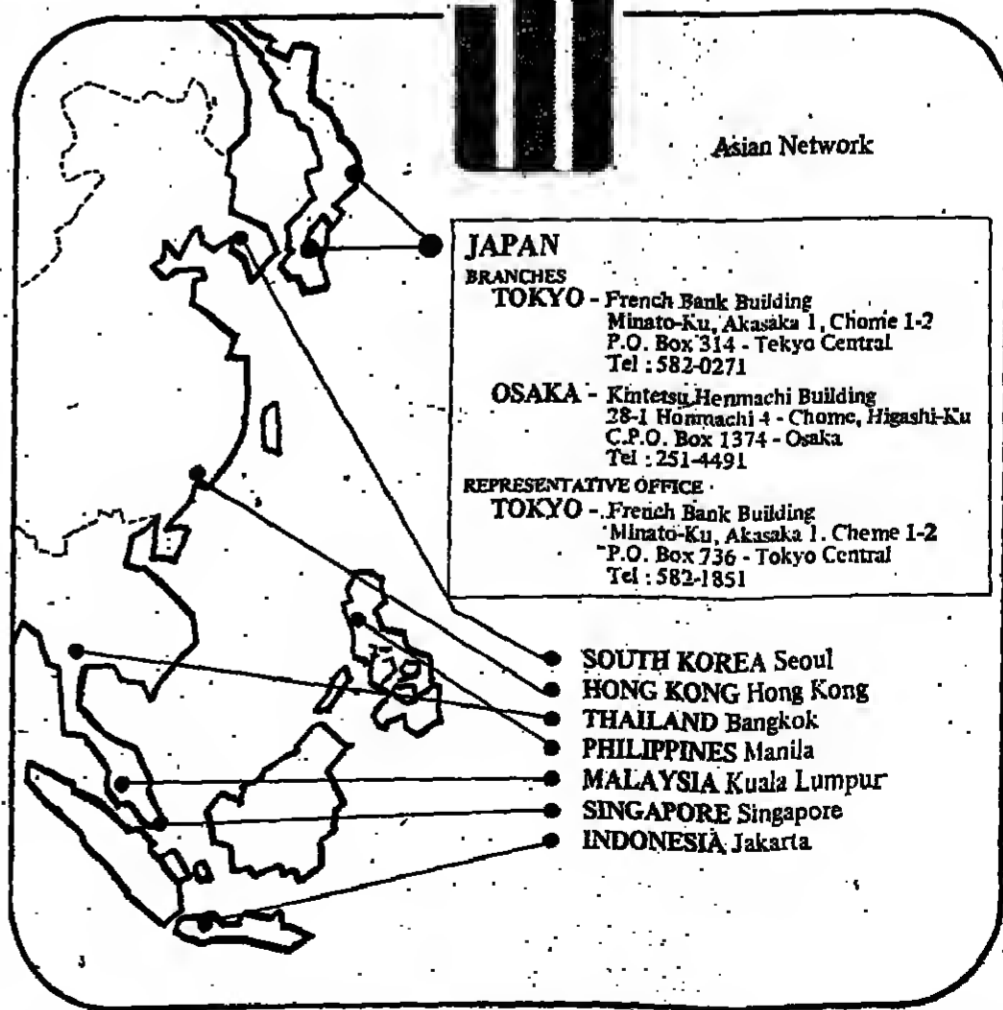
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C.S.

JAPAN AND EUROPE XV

A gamble by Leyland

tribution to re- newcomers to the Japanese market which is in fact largely unfamiliar with British sports cars — the new 3,500 cc Rover and the Jaguar range which is the only portion of British Leyland's output now being imported into Japan. Mr. Shirakawa, whose experience in selling imported cars came from developing a Canadian market for Toyota, says he thinks Japan is ripe for the special styling and performance (and probably also special prices) which Leyland Japan will be offering.

Japan has gone a long way towards developing a motorised society with some 50m. vehicles in circulation or nearly one for every three people in the country. There may not be much scope for further increasing the basic diffusion rate of cars Mr. Shirakawa says, so the time has come to sell variety and quality rather than just mobility to aspiring Japanese consumers.

He hopes Leyland will be able to do precisely this but its success will depend on two things: one will be an effective servicing capacity (hence the parts depot and training facilities at Yokohama). The other will be regular availability of cars — something that British Leyland has not always excelled at in its overseas markets in the past. British Leyland's former Japan agent, Shin Toyota, which will continue to be a main dealer for Jaguars (under the aegis of Leyland Japan), remembers having to import Jaguars from California in 1973 because of a total interruption of supplies from Britain. Mr. Shirakawa says he has asked for and received a solemn guarantee

from British Leyland that Japan probably be regarded rather than will get top priority in future precipitous.

Compared with quality, reliability and availability, Mr. Shirakawa thinks that price may be a relatively marginal factor in the success of future British Leyland sales in Japan. He notes that there is an unmet demand for second-hand Minis in Japan these days even though the going rate for a standard 1,000 cc model is between ¥1.8m. and ¥2m. (£3,900 to £4,300) per car. The Jaguar XJS is selling "satisfactorily" (and no doubt yielding some very handsome profits for Shin Toyota) at a retail price of ¥11m. (£24,000) per car, while smaller Jaguars can be had for between ¥8m. and ¥9m.

Luxuries

Leyland Japan would probably be undermining this year's demand for Jaguars (estimated at around 600 units) if it announced price cuts before it takes over full responsibility for sales next year. Even after it is in charge it will have to exercise very great care in its pricing policy: sudden and sharp reductions in the price of an imported product can demoralise Japanese consumers who like to think they are acquiring luxuries.

The fact remains that high prices keep the Jaguar under a restricted market and that distribution and servicing costs in Japan are not to blame for the whole of the present enormous mark up. Jaguar prices under the new administration may thus come down to less stratospheric levels though the descent will

Mr. Shirakawa's hopes for the future include reintroducing the Mini into Japan (when Leyland comes out with a redesigned model which will hopefully be able to pass the Japanese emission control tests) and perhaps even introducing London taxi cabs, not as a substitute for the standard Tokyo taxi but for special purposes such as hotel airport taxi services. At some stage Mitsui looks forward to other types of collaboration with British Leyland possibly covering products such as agricultural tractors or fork lift trucks and conceivably expanding outside Japan into third markets. Initially however the whole emphasis will be on stepping up car sales, hopefully by 10 to 20 per cent per year from next year's starting figure of 2,000.

Mr. Shirakawa, as president of Leyland Japan will be working with a British Leyland Vice-President and a representative from Leyland International both of whom will be stationed in Tokyo. He will also, hopefully, be working hand in glove with the Ministry of International Trade and Industry which has been making vigorous efforts recently to smooth out some of the obstacles alleged by foreign car manufacturers to hinder selling in Japan. The first test of MITI's goodwill to the new Leyland venture will be the speed with which the TR7 and MGB pass their homologation tests this summer. Mr. Shirakawa says he is certain they will pass — and perhaps in less than half the time foreign cars used to take to gain admission to the Japanese market.

C.S.

High potential for Perkins

These diesel engine decade to be able to carry on the world's largest 99 per cent of its engines, and parts continues. The other 1 per cent, valued at around ¥1.5m. per year in each direction. The latest development is a Perkins trading company (paid up capital ¥30m.) which will undertake exports of Toyota diesel engines to third markets.

Perkins has two reasons for believing that it can move beyond its present 1 per cent share of the Japanese diesel market (worth at a rough guess around ¥2m. over and above the two-way trade with Toyo) to something substantially larger. The first is that it sells plenty of engines elsewhere in the world to vehicle manufacturers who are themselves also diesel manufacturers — examples are its sales to Ford, General Motors and Volvo. The second point is that Perkins has a world-wide parts and servicing network to back up its diesel engine exports which Japanese makers — because they do not export engines as such — still lack.

The Perkins argument is that Japanese vehicles, whether trucks, fork-lift trucks or tractors, are more likely to achieve a smooth penetration of overseas markets if they are equipped with an engine which is already understood and trusted around the world. It has been "knocking on the doors" of Japanese vehicle manufacturers with this message for the past three or four years and now claims to be getting somewhere.

Roo Elliot says that the company is at some stage of discussion or negotiation with the majority of major diesel engine users in Japan.

Establishing even as much contact as Perkins now has with Japanese vehicle manufacturers has been a lengthy and trying business. Mr. Elliot says Japanese companies have a "closed psychology" when the subject of buying parts or equipment from foreign suppliers comes up. Engineers are "immensely proud and jealous" of their own products, and there is a strong inclination to keep business

Contact

within Japan Inc. despite the lip service frequently paid to the maintenance of an open market. Another problem has been the remarkably naive of even very big companies on matters related to import or export documentation — something which even the giants of the Japanese industry tend to leave to the specialists in the trading companies.

C.S.

Dunhill looks after its image

THE JAPANESE people probably have a higher regard for quality than any other nation — which is why Dunhill has done so well here for such a long time," says Mr. Richard Todd, general manager of Dunhill in Japan. Japanese consumers also tend to have a taste for traditional English style and quality, which is no doubt another point that has worked in Dunhill's favour. The ironical fact, however, about Dunhill's Japan operation is that 85 per cent of its 30 h.p. lighters which constitute its main selling item, come from Switzerland, with a fair proportion of the balance being made in the U.K. and France. Dunhill says it has products made wherever quality and workmanship is best, a fact which apparently has not always been told in favour of the U.K. as its main source of supply.

Dunhill originally broke into the Japanese market with its top quality lighters, and claims it still has no real Japanese competitor for its products. The top quality lighter market is shared between Dunhill, Dupon and Cartier, with Dunhill claiming 50 per cent of the total sales judging by its share of sales through duty free shops at Japanese airports and ports. Dunhill is a worldwide operation but rates the Far East (consisting largely of Tokyo and Hong Kong) as one of its more promising markets.

Accessories

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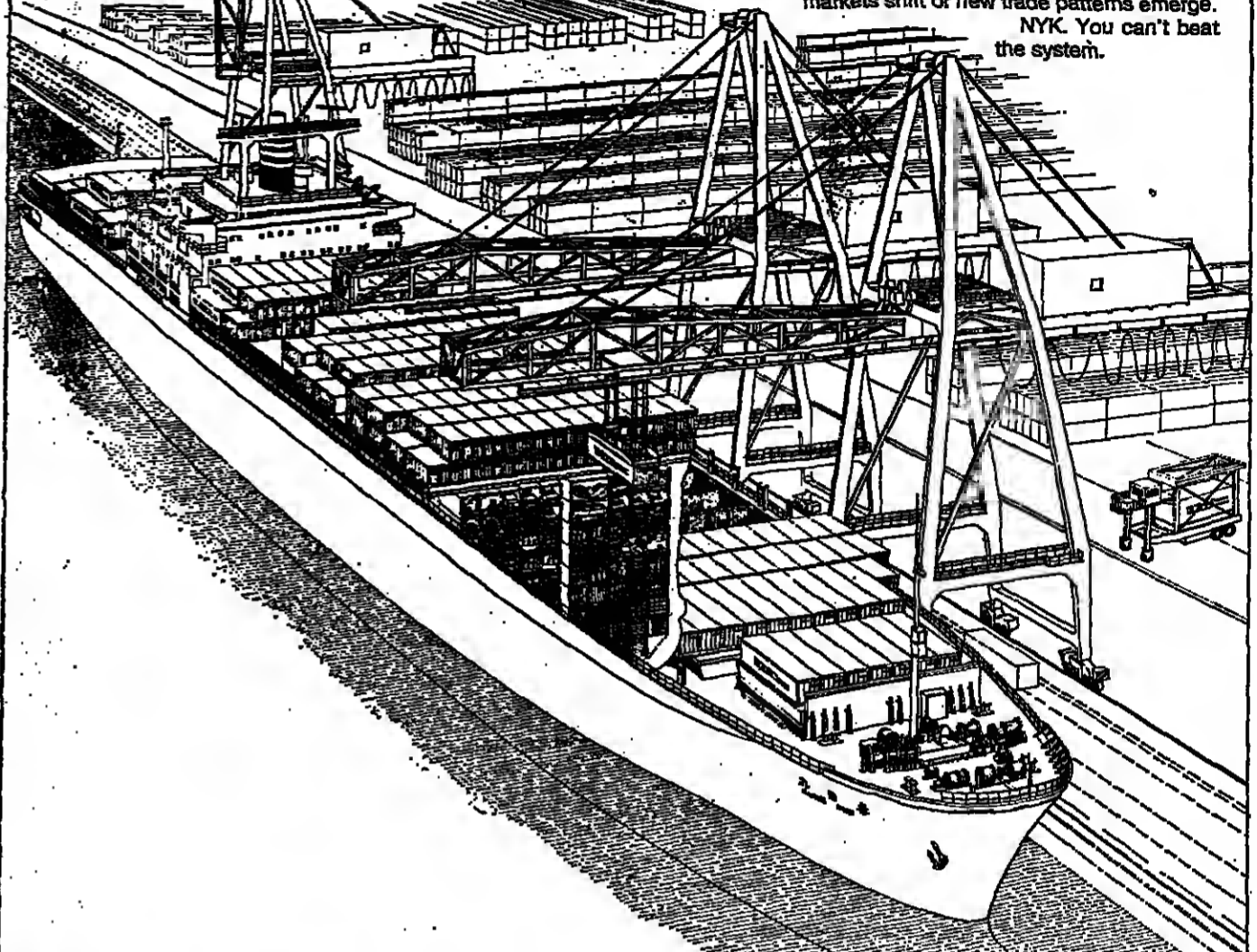
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Y.S.

Projects in the air

Commercial aerospace projects are expanding into the commercial market. In recent years, demand for aircraft repairs from U.S. forces has been falling annually, particularly since U.S. involvement ended in Vietnam. Moreover, the industry has no particularly fat and juicy Japan defence agency project on the horizon either. But the commercial market in Japan alone is too small to support high development costs and any commercial aircraft project would have to go after the world market.

Japan's YX commercial jetliner development project first began as an attempt to follow the overseas success of the domestically developed YS-11 turboprop with a follow-up jetliner. In 1969, Nihon Aeroplane, the collective organisation of Japanese companies that produced the YS-11, proposed the building of a three-engined international jetliner. The 85-118 passenger, 700-mile range medium-jet was to be powered by three 4,500kg thrust engines which were being developed at the time by Rolls-Royce. The YS-33 project was abandoned, however, when at first NAMC's biggest potential customer, All Nippon Airways, opposed the YS-33 development because it would not offer the airline capacity. Second, Rolls-Royce was forced to drop the development of the RB208 Trent engine which Japanese engineers were planning to use.

Marketing

Compared to European and American industries one of the major things that the Japanese aerospace industry lacks is over-demand to a sea marketing capability. This is 43 per cent of why any venture into the aerospace activity in which aircraft field would ideally require a foreign partner. A full 78.2 per cent of the total Y1,932bn, to provide technology and the development funds, the domestic aerospace industry in the eyes of the world turned out through world market would have only a secondary or subordinate role. Furthermore, European and American manufacturers are ready to produce aircraft which fit

into all possible commercial categories and it would be most difficult for a newcomer like Japan to enter any of these markets alone.

British Aircraft, Fokker, Boeing, Douglas and Lockheed, all made separate proposals to Japan during 1970 and 1971 to jointly develop 200-plus passenger aircraft. The Boeing proposal was chosen later in 1971 as the most appealing and the easiest to accept. Mitsubishi was the manufacturing partner for the Douglas DC-10 and Kawasaki for the Lockheed L-1011, and both companies strongly urged the selection of the project of their prospective U.S. partner. The Japanese Government's advisory aircraft industry council not only liked the Boeing proposal but also found it was the best way to avoid choosing sides between Mitsubishi and Kawasaki.

Although the combined YX/TX7 project was originally to start in 1972, market conditions have since not warranted a go-ahead and Boeing is being most cautious. Although disappointed by the delays, the chairman of the Society of Japanese Aerospace Companies, Mr. Kiyoshi Yotsunoto, admits that Boeing's cautious position is understandable because of the huge size of the project.

At the recent Paris Air Show, Boeing announced that there was a strong possibility the TX7 and another new project, the 7N7, will at long last soon be started. Japanese officials, however, are not quite so convinced that the long-awaited start is just around the corner. They have heard the same sort of news and had their hopes raised several times before, each time only to hear later that the project was going to be delayed.

Japan expects to have a 20 per cent share in the YX/TX7 project. Original plans called for a 30 per cent share, but this was reduced as a result of negotiations last year with Boeing based on an evaluation of domestic production capacity. However, this 20 per cent has been the subject of complaints

by the domestic aircraft equipment makers who claimed that it did not reflect their true development and production capacity.

While Japan's airframe makers would be able to participate in the joint design and development of the airframe in the joint project, the domestic equipment makers, having no experience in the international commercial market, would not be able to compete on equal footing with American companies in terms of development capacity and cost. Even given an equal chance, Japanese-made parts would have little hope of being used for the YX/TX7. Japan's aircraft equipment makers are adept at making quality products for the defence agency in small numbers at high prices but they have no experience at making large numbers of products at low prices and would have little chance of beating U.S. companies out of the competition.

Should, therefore, little or no Japanese parts or equipment be used in the YX/TX7 project, it would become a project not of the domestic aerospace industry but one for the airframe companies alone. However, building the shell only would hardly constitute the kind of knowledge-intensive national project that the Ministry of International Trade and Industry (MITI) originally had in mind for the YX project which it is promoting, and sponsoring, for the sake of the entire industry. Some government officials are saying that if the YX/TX7 is going to turn out to be only an airframe project for Japan, then the domestic industry will actually do no more than receive parts subcontracting from a foreign maker.

Offered

Meanwhile, the recently nationalised British Aerospace group has offered to carry out joint production of the BAC-111 with Japan and collaboration on the development of the BAC-119. At the same time, Fokker-VFW has mentioned the possi-

bility of Japan's participation in its super F-28 project. In both cases, Japan would be in charge of design and production of part of the airframe, with Japan being the centre of the new Asian market for the new aircraft. In both cases, Japan would be considered an equal partner and there would be no need for Japan to pay a so-called adjustment fee, as in the case of the Boeing project, to make up for its so-called lack of expertise and know-how.

It is a well-known fact that MITI is subsidising the YX project being carried out by the Civil Transport Development Corporation (which represents all Japanese interests in the project). MITI has convinced the Government that the development of a commercial jetliner is vital to the future growth of the domestic aerospace industry, and has managed to receive at least the minimum necessary budget to continue supporting the programme. However, when the project gets its expected go-ahead in the near future and development costs reach their peak in two or three years, some people are worried, whether or not the Government will really come up with Japan's full 20 per cent share of the YX/TX7 development costs (an estimated Y60bn).

Of course, all the Japanese share will not be borne by the government. The domestic industry is to foot one-quarter of the bills. However, only the larger companies will be able to afford to make these investments and the parts and equipment makers will probably be able to pay very little of it.

While the ruling Liberal Democratic Party has given considerable priority to the support of Japan's aerospace industry, the Party has not been able to give the YX commercial transport project all the money it has needed. With a quick surge of expenses once the go-ahead is given, many people worry as to just how much financial support the government at the time will be able to give the project.

The domestic industry has already been stuck with taking care of losses and other responsibilities for the financially unsuccessful YS-11, which was also a so-called national (Government supported) project.

Industry officials worry if the Government will actually meet all of its financial promises right to the end of the new project. The industry does not publicise this concern because the project has been proposed by MITI as a national effort. But still, they are concerned about the possibility of being stuck with the tremendously large development bills for a project for which they have no sure estimate of their return.

Participating as a national project in the joint development and production of the TX7 with Boeing has considerable potential for the domestic industry, as most people must agree. However, putting all of its eggs in one basket is not the most advisable thing that the industry could do. In fact, the industry would do well to give serious consideration to another large-scale project with European or other American manufacturers.

One other major project would not only serve as good insurance, should the TX7 be once again delayed or even cancelled, but it might also get Japan involved in a more equal development project such as the BK-117 helicopter agreement which was signed this spring between Kawasaki and Messerschmitt-Bölkow-Blom.

Koji Hoashi

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10,000 in that kind of

Second is the sum of steel exports from Japan's mini-mills (small and medium-sized producers). There are about six or seven "major" mini-mills but the industry as a whole comprised about 100 companies, "definitely less" and so far MITI has been unable to get them to agree on a three-month export restraint in the EEC market (despite repeated demands from Brussels). In home as well as on the U.S. market where prices are high enough to let Japanese exporters succeed, but low enough to exclude European steel-buyers, so they from the mini-mill industry, producers will take advantage of the slackened level of the big Japanese sales in the EEC this year, but the fear in Tokyo is that small producers cut their exports to the EEC by half in 1977, says Mr. Davignon, a half-jokingly. Close scrutiny of industry Europe's export prospects in the

Steel under tension

STEEL industry is in reference to the EEC Commission's major mission plan. The EEC cannot objectively be begrudged for waiting until the last moment to conclude their negotiations under the 1977 ceiling, at about 100,000 tonnes the amount of steel exported to the Nine from the small producers, and the big six expect the 1977 total to be just 200,000 or only one-third of last year's level.

If so, the EEC will have a hard time making its case for further export controls on the Japanese side. All told, the Japanese may directly export only 1.3m. tonnes of steel to the EEC in all of 1977, substantially less than the 1.6m. tonnes last year and 1.64m. tonnes in 1975. Moreover, if present prices continue to dominate the EEC steel market and the big six decide not to take up their full 1977 allotment, then the year's exports could be appreciably smaller, and more in line with the 1m. tonnes exported in 1974.

If the EEC Commission does come under pressure to reduce Japanese imports further in 1978, those applying the pressure will presumably be the U.K., Belgium and Italy. Britain, in particular, is unhappy about the high level of special steel (especially stainless steel bar) imports from Japan, although the U.K. industry is apparently content with unofficial undertakings from MITI for sales in the latter half of 1977. The U.K. also recently announced a permanent dumping charge of £11.1m. on imports of sections and angles from Japan, an action which MITI thinks will simply erase the 12,000 tonnes which small producers hoped to sell in the U.K. this year, although switching the same sections and angles to another EEC country from the distribution centre in Antwerp. Otherwise, the U.K. is in no position to scream about Japan's exports: sales in the EEC have fallen drastically from \$18m. in 1975 to \$81m. in 1976 and the trade has fallen by well below 1974 levels for both tonnage and dollar value.

Statistics would indicate, moreover, that the small producers are actually improving (probably not of their own volition) on MITI's guidance. Estimates for the first half of 1977 put about 100,000 tonnes the amount of steel exported to the Nine from the small producers, and the big six expect the 1977 total to be just 200,000 or only one-third of last year's level.

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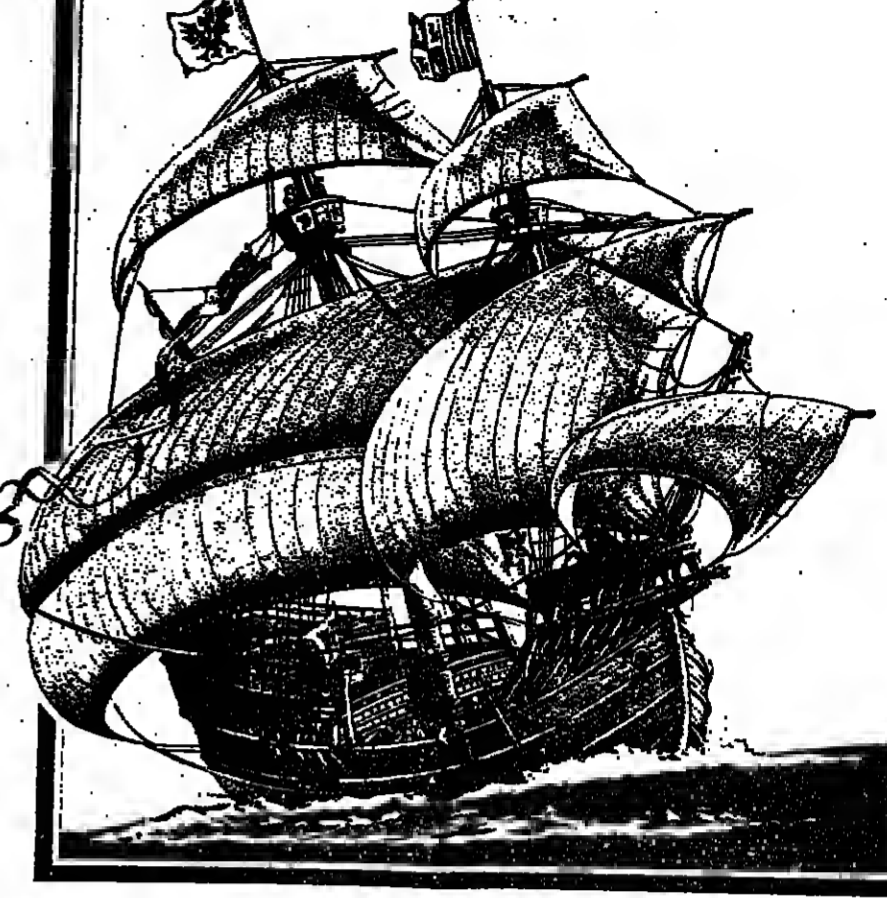
Even allowing for substantial rises in steel consumption and restocking in the non-EEC countries, that sort of increase is not living would not have been possible without some diversion into EEC markets. In the case of Sweden, for instance, imports of the ceiling the Japanese steel increased by 74 per cent to 434,407 tonnes, and insiders reckon that at least a quarter of the increase went on to the EEC. The big six steelmakers are under no contractual obligation to limit exports to these countries, but it was widely assumed in Tokyo and Brussels that there would be no increase in the volume of exports to non-EEC countries of Western Europe in 1977, and according to MITI, it now looks as if these producers will actually decline in 1977 (in large part owing to dull market conditions throughout Europe).

Second is the sum of steel exports from Japan's mini-mills (small and medium-sized producers). There are about six or seven "major" mini-mills but the industry as a whole comprised about 100 companies, "definitely less" and so far MITI has been unable to get them to agree on a three-month export restraint in the EEC market (despite repeated demands from Brussels). In home as well as on the U.S. market where prices are high enough to let Japanese exporters succeed, but low enough to exclude European steel-buyers, so they from the mini-mill industry, producers will take advantage of the slackened level of the big Japanese sales in the EEC this year, but the fear in Tokyo is that small producers cut their exports to the EEC by half in 1977, says Mr. Davignon, a half-jokingly. Close scrutiny of industry Europe's export prospects in the

Pinch

In 1977, all EEC steel producers are feeling the pinch at home as well as on the U.S. market where prices are high enough to let Japanese exporters succeed, but low enough to exclude European steel-buyers, so they from the mini-mill industry, producers will take advantage of the slackened level of the big Japanese sales in the EEC this year, but the fear in Tokyo is that small producers cut their exports to the EEC by half in 1977, says Mr. Davignon, a half-jokingly. Close scrutiny of industry Europe's export prospects in the

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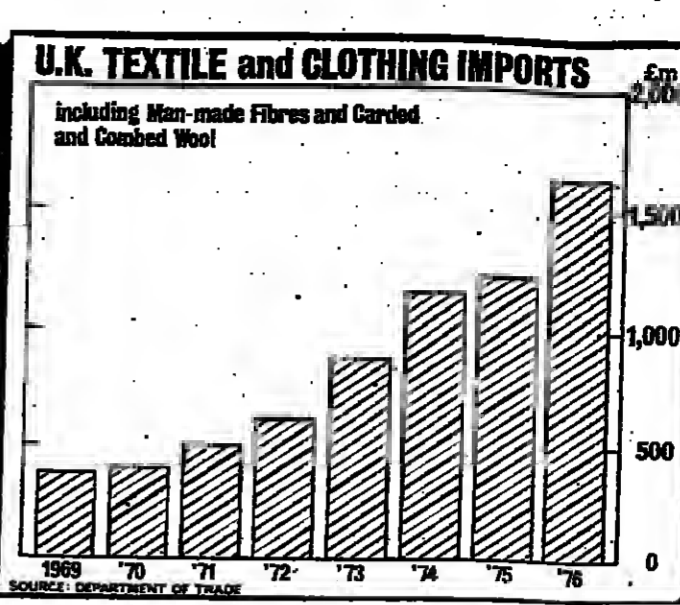
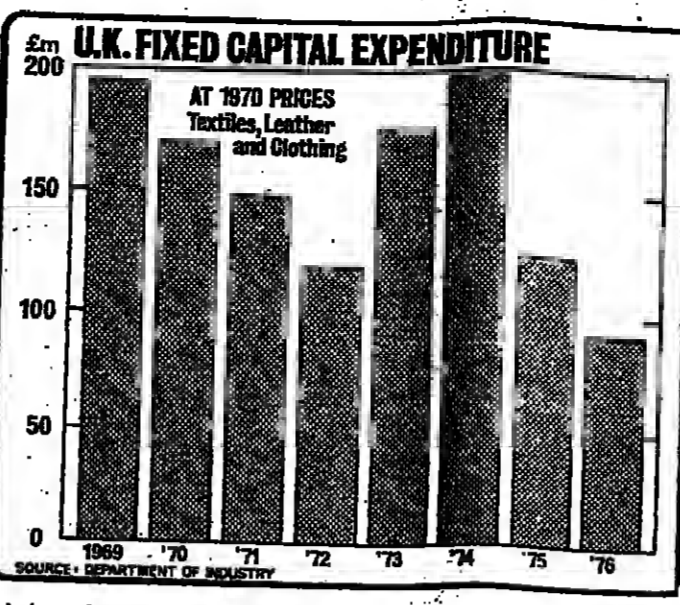
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D.R.

More uncertainty ahead for textiles

By RHYS DAVID, Textiles Correspondent

The industry of representative from Europe's point of view, a second-best position. The formula calls for the renewal of the existing agreement but includes the possibility that signatory States may take protective action to safeguard their national interests in the event of severe disruption. The EEC, after falling weeks of talks earlier to obtain a stronger clause of this nature to be agreed upon by all parties and it will now form the basis of the EEC's bargaining position. The EEC, after falling weeks of talks earlier to obtain a stronger clause of this nature to be agreed upon by all parties and it will now form the basis of the EEC's bargaining position.



by announcing their own plan to invoke GATT Article 19 covering market disruption. With elections pending and social and political unrest near the surface again, the French would almost certainly be tempted to act independently if the Community line appeared to be wavering.

A quarter
In the U.K. alone imports of textiles and clothing have increased from £200m. in 1970 to more than £1.6bn. last year and in terms of value now represent more than a quarter of final textile demand. Because they are concentrated at the lower end of the market the impact in weight terms is even greater.

After losing more than 2500m. in 1975 because most of the high European fibre producers— including ICI in the U.K.—instigated large-scale rationalisation programmes, but these only reduced rather than eliminated their losses last year, and conditions in the last three months had been generally less satisfactory than in the previous six months, and that export volume had fallen in many areas in the three months to the end of June, compared with a year earlier.

The fitful recovery of demand for textile goods in Europe is one of the reasons for the opposition by many of the leading overseas suppliers to any further restriction which would prevent their gaining access to the market. Though in the U.S. recovery has been stronger, the tough commercial attitude adopted by the U.S. Government in past negotiations, has meant that imports have achieved a much lower overall degree of penetration.

Middle ground
The basis on which these talks will now move ahead has provided a breathing space, however, staving off the introduction of protective measures which might have happened if it had not proved possible to find middle ground between the European demand for renegotiation and the insistence of the developing countries and the U.S. for the renewal of the MFA as it stands.

Balanced
As a result of the first MFA agreement—the impact of which coincided very largely with the fall off in trade suffered during the past few years—a substantial shift in the pattern of textile supply in Europe has taken place.

ICI has announced the closure of a fibre plant in Germany, while in France, Rhône-Poulenc, and in Italy, Montedison, are both closing down capacity, and the EEC itself has asked member governments not to support further fibre plant construction with grants.

Existing
The main opposition to the formula now agreed at Geneva has come significantly from small groups of countries—Brazil, India and Egypt among them—which are still building up textile exports and which now stand to lose out if limitations are placed on their rate of growth.

Attention is now likely to switch from Geneva for the next few months to Brussels where the most important of the bilateral negotiations—those involving the EEC—are likely to be held. The participants will at least know what the stakes are: in a final statement, Mr. Oliver Long, GATT's Director-General, urged his members to work hard for agreement.

Letters to the Editor
The introduction of a self-assessment system, currently in use in the U.S., Canada, Sweden and Australia.

Qualifications for directors
Sir—I would take issue with Mr. Hutchinson (July 20) over his use of the emotive word "trappings" on the subject of non-executive directors.

To-day's Events
Provisional unemployment figures for July. Parliamentary Liberal Party considers renewal of its pact with Government.

Stratton House, Piccadilly, W. 3. Don Holdings, Great Eastern Hotel, EC. 12. Harveys Group, Wetherby, West Yorkshire, 12. Northern Coldsmiths, Newcastle-upon-Tyne, 1043. Norwest Hotel, Carlton Tower Hotel, SW. 13.30. Skelchey, Hinkley, Leicestershire, 3. Stirling Industries, 2 and 4, St. Mary Axe, EC. 12. Transport Paper, Cafe Royal, W. 12.30. UDS Group, Savoy Hotel, WC. 12.30. Warren (James), Winchester House, EC. 11. Westwood Investment Trust, 120. Cheapside, EC. 2.30.

Number of employees in revenue authority (000)	Population (m.)	Number of employees per 100 population	Public administration as % of total
70.7	56	1.3	20
71.8	210	0.3	80
14.6	23	0.7	11
8.0	3	1.0	0.91

Bases for decision
From Councillor Brian Smith. Sir—West Midlands County Council manages a pension fund of about £140m. The investment panel has a wide range of advisers, including merchant bankers, stockbrokers, estate agents, and actuaries.

COMPANY RESULTS
AT Industries (half year). Davy International (full year). Digsworth Morris and Co. (Interim Results only). National Westminster Bank (half year). Taylor Woodrow (half year).

COMPANY MEETINGS
Attwood Garages, Wolverhampton, 12. BET Omnibus Services, Eastbourne.

Control of prices
From the Director National Consumer Council. Sir—If all manufacturers take the defeatist attitude of the director-general of the Food Manufacturers' Federation on prices (July 20) heaven help the British housewife (AND the economy). Mr. Coffin says that nearly three-quarters of the selling price of the products sold by members of his federation is made up of costs of raw materials and bought-in packaging over which they have "no control". If everybody simply accepts—

Indexed tax reliefs
From Mr. W. Cowburn. Sir—Now that personal tax reliefs are to be indexed, may we hope that base values for capital gains tax will be treated in the same way and that the principle will be incorporated in values assessed for any wealth tax? It is surely immoral for a Government to be able to avoid the consequences of its own mismanagement in holding currency values stable.

Prices and the EEC
From the Chairman Richmond Young Conservatives. Sir—Mr. Wistrich (July 21) echoes the attempt of Mr. Tugendhat, one of the EEC Commissioners, in trying to explain away the impact of the Common Agricultural Policy by saying that other prices have also risen. The choice of August, however, as the starting point to illustrate price-rises of fruit, vegetables, tea and coffee (not covered by CAP) is disingenuous to say the least. Every housewife knows that fruit and vegetable prices fluctuate seasonally. The price of old potatoes, for example, drops through the autumn and winter while the new potatoes arrive on the market in the spring at a higher price. Comparison of these prices

COMPANY RESULTS
AT Industries (half year). Davy International (full year). Digsworth Morris and Co. (Interim Results only). National Westminster Bank (half year). Taylor Woodrow (half year).

Compulsion to cure inflation
From Mr. D. Trigwell. Sir—I suggest that those accountants who agree that the main task of the profession is to lead the fight against inflation rather than account for it should resign from their respective professional organisations, as I have done. We might then be in a suitable position to form a new accounting body with the declared aim of applying absolute financial rectitude to all our supply-side accounting matters. Governments the world over must be compelled to adopt sound financial policies and it is within the competence of the accountants to provide a price ceiling. For, if we have come for accountants cannot cure inflation, no one can. We want to see 57, Murray Road, Northwood, Middlesex.

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EMPLOYERS

The Job Release Scheme for Assisted Areas has been extended until 31 March 1978

This scheme is applicable to full-time workers in the Assisted Areas of Great Britain. You will find details of the Assisted Areas on the map and in the leaflet referred to below. Separate arrangements apply in Northern Ireland.

The Job Release Scheme offers men aged 64 and women aged 59 or before 31 March 1978 the opportunity to stop work up to a year before reaching statutory pensionable age—and get paid for it. From now until 14 November they'll get £23 a week tax free, rising to £26.50 from that date. While receiving this allowance they must undertake not to claim any benefit for unemployment or incapacity, or to engage in any paid employment.

or business on their own account where earnings exceed £4 a week. If any of your workers decide that the scheme will benefit them, they will need your agreement before they can give up their jobs. Taking part in the scheme is entirely voluntary in both cases. If you agree to their leaving, you must recruit people from the unemployed register to replace them—though not necessarily for the same jobs.

Your employees wishing to be considered must apply by 31 March 1978. Leaflets with full details of the Job Release Scheme are available from any Employment Office, Jobcentre or Unemployment Benefit Office. Just ask for copies of Job Release Scheme: Employed People. Or ring 01-214 6403 or 01-214 6497 for information.

JOB RELEASE SCHEME
Department of Employment DE

ISSUE NEWS AND COMMENT

Powell Duffryn raising £6.6m.

Powell Duffryn intends to raise around \$5.5m. by way of a one-for-five rights issue of Ordinary shares at 135p per share. The group expects to recommend dividends in respect of the year ended March 31, 1977 totalling 10p net (7.5p previously).

COMPANY NEWS + COMMENT

Racal forecasts more overseas growth

FORECASTING another record year for radio communications and electronic instruments group, Racal Electronics, Mr. Ernest Harrison, the chairman, says a sales target of £200m. has been set, including £160m. overseas.

INDEX TO COMPANY HIGHLIGHTS table with columns: Company, Page, Col., Company, Page, Col.

Ebor cuts payout to 151p

IN THEIR half-yearly report the managers of Ebor General Fund inform shareholders that liquidity has been substantially reduced, from over 16 per cent. to under 7 per cent. of the fund's assets.

Mr. Harrison says that an increase in the borrowing limit from £33.5m. to £123.4m. is proposed. While the directors have no immediate plans to increase group borrowings they are, as a matter of policy, seeking suitable acquisitions, he adds.

Brady almost halved

THE PROFITS decline continued in the second-half of the year to March 31, 1977, at Brady Industries and, after being behind from £209,000 to £200,000 at mid-way, the pre-tax figure finished nearly halved at £49,576, compared with £95,393.

Priest Marians on target

A turnaround from a loss of £11,027 to a pre-tax profit of £24,339 was announced by Priest Marians Holdings for the year ended April 30, 1977.

WESTON-EVANS GROUP

Highlights of Statement by F. Crosland, Chairman. Record Profit for 5th Consecutive Year. Maximum Dividend Recommended. Substantial Growth in Turnover and Profit of U.S.A. subsidiaries and large markets available for our Products.

16 per cent. tax rate this year (together with SSAP 91). After the previous year's excess dividend payments, last year's total is up by 7.8 per cent. for a yield of 81 per cent. at 90p.

Neepsend second half recovery

WITH A second-half advance in taxable profit from £467,000 to £708,000 steel and steel product manufacturer Neepsend ended the year to March 31, 1977, down £31,000 at £1.06m. Sales were up £2.8m. to £18.1m. but the export content declined from 33.02m. to £2.7m.

FOR THE year to April 30, 1977, scaffolding manufacturers, Kwikform reports pre-tax profits of £1.43m. This compares with £1.52m. for the previous 33 weeks and means that on an annual basis profits show little change. At mid-way an advance from £486,000 to £599,000 was reported.

Without the 64 per cent. rise in interest charges—the result both of high rates of interest and stockpiling up in molten-iron steels—Kwikform's profits would have been even higher, at £7.5m. (19.2p) and without such charges £23.7p (19.7p). The net dividend total is raised from 4.46p to 4.81p with a final payment of 3.41p.

Similar profits seen by Carclo. So far in the current year, Carclo Engineering is on target for budgeted profits forward to the record figures of 1976/77, reports Sir Robin Brook, chairman, in his annual statement.

Manchester Garages well up midway. On trading profit ahead 48.2 per cent. on £173,547 to £267,572 main Ford dealers Manchester Garages while single premises are up from £204,257 for the six months to June 30, 1977. Sales were up from £4,950m. to £5,750m.

BARCLAYS GROUP CHANGES. Reorganisation of the fund management services of Barclays Bank has now been completed, with the creation of a new holding company, Barclays Unifund Group, to control and streamline the operations of the unit trust management company, Barclays Investment Management, and Barclays Life Assurance.

Sun Life income falls. Sun Life Assurance saw its annual premium income fall to £82m. from £86m. in the corresponding period last year. This drop reflected a fall-off in the regular savings market and the reduced level of activity in the mortgage market.

United Kingdom Provident saw a substantial improvement in new business to the first half of this year, with total new premium income increasing by 40 per cent. to £4.9m. against £3.3m. in 1976. New sums assured rose by 69 per cent. to over £25m.



Sir Alec Ogilvie, chairman of Powell Duffryn.

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Corresponding div., Total of last year, Total of this year.

11% first half rise for Lovell

WITH A substantial improvement in timber results more than offsetting a downturn in construction, pre-tax profit of Y. J. Lovell (Holdings) was lifted by 11 per cent. to £711,000 in the first half to March 31, 1977, and the directors expect a "reasonably satisfactory" year.

Scotcross heading for good year

SALES AND profits for the first quarter "comfortably ahead of last year" and detailed disclosures for investment in continental companies with a large degree of commercial and technical compatibility were disclosed yesterday by Mr. R. W. Alexander, chairman of Scotcross, which operated in packaging, food and transport equipment.

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Sandwell £20m. 13% stock

The Metropolitan-Borough of Sandwell is issuing £20m. of 13 per cent. Redeemable Stock 1985 at 97 1/2 per cent. Application lists open and close on Thursday. The stock is payable at £10 per cent. on application, £40 per cent. on September 8, and 57 1/2 per cent. on October 30.

Fiftieth loas of Scapa o

THE 50th loading of Occidental's terminal Flow, Orkney, was made by the tanker Esso sbtre. Since the terminal serves the Piper field North Sea, came on January 20 vessels for the oil. The Japan's Kurushima Maru has 13 trips.

Carclo must expand

Summary of Results. Year to 31st March 1977. Turnover £2000 7,349. Profit before tax £300 946. Earnings per 25p Ordinary share 11.2p. Dividend per 25p Ordinary share 2.68p. Dividend cover (times) 4.2.

Points from the Statement by the Chairman Sir Robin Brook, C.M.G., O.B.E.

- Turnover 21% up
• Profit before tax 56% up
• Earnings 63% up
• Dividend maximum permitted
• Budgeted for 1977/8 profits similar to 1976/7 record. So far we are on target.

LONDON & OVERSEAS FREIGHTERS LTD.

In view of the fact that Austin & Pickersgill was removed from the Group on the 1st July 1977 by operation of the Aircraft and Shipbuilding Industries Act 1977, the Directors have presented Group Accounts in two forms—firstly those relating to the Group as it exists in law and secondly, those which show the Group position excluding A & P (except insofar as Dividends payable to L.O.F. are concerned).

MARKET ASSISTANCE

ISSUE NEWS
Powell
raising

Ryder Payment names Billingsley

Lord Ryder has named Mr. Billingsley as the man to whom the cheque for £110,000 was paid by Reed International.

Mr. Billingsley, who is a director of Reed International, was named as the man to whom the cheque was paid by Reed International.

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Plessey starts well

ORDER BOOKS standing at a record £500m. give the Plessey Company a good start in the quest to secure more profitable growth.

Referring to international operations in the Mediterranean and Middle East region, the chairman says that on the basis of selective specialisation, the directors are encouraged by the penetration of this important growth market.

In the U.K. the business market is depressed, although signs are emerging to indicate an upturn over the next 12 months.

Mr. Jarratt reported on June 23, pre-tax profit for the year to March 31, 1977, rose from £24.7m. to £38.5m.

Using the appropriate weighted indices to account for inflation, the cost of sales adjustment would be £2m. and additional depreciation £10m.

A statement of source and application of funds shows a decrease in net assets of £20.6m. (£21.5m. increase).

Meeting, Millbank Tower, S.W. Meeting, Millbank Tower, S.W. Meeting, Millbank Tower, S.W.

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THORN A note-worthy year.

Thorn Electrical Industries' turnover for the year to 31st March 1977 exceeded £1 billion for the first time and all Product Groups contributed to the increase of 39% in net profit before tax of £103.7 million.

The following are extracts from the annual statement to Shareholders made by the Chairman, Sir Richard Cave M.C.

Management and Employees. I have been impressed by the excellent relationships which exist amongst those who work for the Company, even though the economic conditions in the U.K. have been anything but helpful.

As Chairman, and on behalf of the Board, I wish to thank everyone in the Company for their own personal effort which has produced these results and also to thank them for their understanding of the difficulties industry today has to face. This is a confident, friendly company but without false optimism.

Finance. The Company continued to be in a strong financial position. During the year under review the funds generated from operations totalled £154 million, trading margins after finance charges were 10.0% and the pre-tax return on capital employed was 24.1%.

Shares. We have already announced a proposal to enfranchise the 'A' Ordinary shares and to compensate the holders of the Ordinary shares for the dilution of their voting rights by a scrip issue of one new Ordinary share for every twenty Ordinary shares held. This action has been taken because we firmly believe that all the holders of the Company's equity shares should be able to participate in the Company's affairs by being able to attend and vote at general meetings.

European Share Listings. We have also announced our intention to apply later in the year for the Ordinary shares to be listed on a number of European Stock Exchanges. This move will give us greater flexibility in planning our strategy for expanding our overseas interests.

Century must expand abroad

Century must expand abroad. The merchant banking business of S. G. Warburg continued to develop both domestically and internationally.

Standard Life new pensions contract. Standard Life Assurance has launched a new pension policy for the self-employed and other non-pensionable employment.

Whitney Murray. Whitney Murray, Chairman of the group, has announced that the company's earnings for the year to March 31, 1977, exceeded £1 billion for the first time.

Dividend amendments. The following companies have amended their dividend consequent upon the recent announced change in the income tax rate to 34 per cent.

Table with columns for company names and dividend details. Includes entries for Alnatt London Properties, Braithwaite and Co. Engineers, and others.

Dividend amendments

The following companies have amended their dividend consequent upon the recent announced change in the income tax rate to 34 per cent.

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NEWMARKET

Financial assistance. The inter-bank market over-extended at 7-7 1/2 per cent, and eased to 7-7 1/4 per cent.

Table showing market rates for various financial instruments including interbank, local authority deposits, and Treasury bills.

and finance houses seven days' notice, others seven days' fixed. Longer-term local authority mortgage rates 12-13 per cent, four years 12-13 per cent, five years 12-13 per cent.

Mackinnon over £54,000 so far

For the half year to April 30, 1977, profit of knitwear manufacturers Mackinnon of Scotland rose from a depressed £2,635 to £54,880, subject to tax of £28,700 against £1,400. Sales improved from £16.1m. to £2.18m.

Graig still in loss

An increased loss before tax, up from £46,243 to £164,640 in second half, left Graig Shipping with a marginally lower deficit for the year to March 31, 1977 of £242,589 against £270,129.

THORN. These extracts are from the Chairman's Statement and the Report and Accounts for the year to 31st March, 1977. Copies are to be posted to all shareholders in early August.



us, still illegal. It would increase its pace... The vehicle can carry passengers on routes where height restrictions bar double-deck buses.

The National Bus Company, London Transport and the Department of Transport are evaluating the bus, which is built by a Leyland subsidiary in Denmark, Leyland-DAB.

The State-owned concern maintains the vehicles would be largely built in this country with locally-manufactured engines. There was a demand from the U.K. for articulated buses.

er for ridge

inson, the former... The Lord Chancellor will be leading the British delegation at a meeting of the Commonwealth Law Ministers at Winnipeg towards the end of August.

Commonwealth law 'must meet change'

THE LEGAL profession had to adapt itself to great changes affecting Commonwealth countries, Lord Elwyn-Jones, the Lord Chancellor, said yesterday. Opening the fifth Commonwealth Law Conference in Edinburgh, he said this involved re-thinking of the role of the lawyer and of the judge in the social and economic as well as in the purely legal or judicial context.

Attuned

Each country has its own peculiar problems, and the shape of its progress must be attuned to its local conditions. But this does not mean that there is not a vast area of common interest or that any country can afford to disregard what is taking place elsewhere in the contemporary scene.

Second petition against Mid-East bank

THE International Bank and Trust Company of the Middle East is facing a second petition for compulsory winding-up, the High Court was told yesterday.

WIKFORM cold manufacturing director

Edward Rose (Telford), and Mr. Leslie M. Edward Rose (Birmingham). Mr. A. V. Pitcher has been appointed managing director of Edward Rose (Telford). Mr. Pitcher is also director of engineering and manufacturing in the main Board of the Edward Rose companies. Mr. J. E. Anderson joins the Board of Edward Rose (Telford) and Edward Rose (Birmingham) as sales director (non automotive products) and director responsible for purchase operations.

Improved insulation standards urged

By David Freud, Industrial Staff MANUFACTURERS of insulation fibres have called on the Government to improve insulation standards through increased promotion, bigger financial incentives and tighter building regulations.

The association has made the following recommendations: The public education programme should be enlarged, with proposed expenditure for the Save It campaign expanded to its 1975-76 level. The Prime Minister should throw his authority behind the campaign by making a public statement.

Insulation should be brought into line with prevailing building regulations wherever a house changes hands or when central heating is installed.

Subsidence hits new motorway

A £25m. motorway stretch has run into subsidence problems only 12 weeks after being opened. The Pontarddulais bypass section of the M4 in West Glamorgan has been hit by underground work on a new coal seam.

Mr. R. C. Denison-Fender is being admitted to the partnership of VIVIAN GRAY AND CO. stockbrokers, from August 1.

Mr. D. S. Dowdall has been appointed to the Board of TELETRON. Mr. Dowdall was previously technical manager.

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Following its acquisition by JSE International Inc. three American based directors have been appointed to the Board of DISTRONIC. They are Mr. G. Ralph Bartolme, Mr. W. Neal Buxton and Mr. Jerry Klaris.

Scottish & Newcastle Breweries Limited

'Big investment programme to upgrade production and distribution facilities'

Extracts from the statement by the Chairman, Mr. P. E. G. Balfour, issued with the annual report and accounts for the 52 weeks ended May 1, 1977.

We can once more report record turnover and profit on a year of 52 weeks compared with 53 weeks in the preceding year, and are consequently able to recommend the maximum dividend allowed under the existing regulations.

Marketing As I have stressed before, a very high proportion of the Company's profit comes from the sale of ale and lager. Over the past decade the Company's ale and lager sales have increased in volume by 75 percent and its share of the total market has gone up from 7 percent to something over 11 percent.

The reasons for this lie partly in production and distribution problems which did not allow us to take full advantage of demand at peak periods, partly in that we have not yet developed the necessary strength in the lager field, and partly in the fact that strikes in the brewing industry generally have made free trade customers unwilling to deal exclusively with one supplier.

So far as lager is concerned we expect the current year to show a steady increase in our share of the lager market, both with Harp Lager consortium products including Harp Lager, Kronenburg, and with our own McEwan's Cavalier Lager. This last was put into general distribution in Scotland on draught in October 1976 and in can in April 1977.

Our relationship with our partners in Harp is excellent and we look to a continued and profitable association in the years to come.

In order to take advantage of the growing interest in cider we have bought a 10 percent share in the Taunton Cider Company and are now kegging its products on Tyneside for distribution in the north of England and Scotland.

With improving service to customers and further upgrading of our production and distribution, we would look for a steady improvement in our sales were it not for rising costs and the necessity to increase our prices at a time of low consumer spending power.

Distribution

Our customer service during last year suffered as a result both of congestion on the main brewery sites and of inadequate primary and secondary warehouses. During the year we have made major alterations to our Aberdeen depot, improved the depots at Glasgow and Kircaldy, and started work on new depots at Dundee, Bellshill near Glasgow, and South Gyle on the west side of Edinburgh.

Production

The main focus of attention on the production side has been the creation of a larger capability of our own and the improvement of our packaging facilities. Last year I informed shareholders that we were considering the possibility of building a new brewery in the north-east of England. We now believe that by the rearrangement of our brewing patterns and the conversion of our existing plant we can meet the demand for ale and lager over the next five years, which gives us time to consider the size and location of new brewing plant.

On the packaging side we are making substantial purchases of new vessels and have increased our kegging capability in Edinburgh.

Managed public houses

We have continued with our policy of disposing of smaller and less profitable public houses, upgrading our existing houses, and acquiring or building new houses on favourable sites.

Hotels

The Hotels Division, and Thistle Hotels in particular, has had a most satisfactory year and is now making a significant contribution to Group profit. We are now at a stage where we can once more consider selective expansion both by acquisition and extension.

Waverley Vintners

In difficult trading conditions at home our wines and spirits business had a satisfactory year with increased turnover and profit. New franchises for well-known brands were obtained in the home market and our Scotch whisky brands achieved a larger share of the export market at higher prices and margins.

Capital expenditure

Many of the projects started during the last twelve months will incur heavy payments only towards the end of the completion cycle. Nevertheless on these and other projects we anticipate an expenditure of £40 million in the current year and not less than £40 million in 1978-79.

The future

We can see the future of the Company only against a background of the political and economic future of the country, which for us has an added dimension in the possibility of devolution in some form for Scotland.

In spite of politically induced uncertainties, we remain convinced that whatever the economic vicissitudes of the country, people will continue to want our products. We believe that the market will continue to grow, albeit slowly, and for further progress we shall need to counter the increasing competition by introducing new products and new and imaginative marketing methods and by giving better customer service.

Advertisement for Scott's Whisky featuring a large image of a whisky bottle. Text includes: 'Results at a glance' table, 'Copies of the annual report and accounts and the full Chairman's Statement can be obtained from the Secretary, Scottish & Newcastle Breweries Limited, Abbey Brewery, Holyrood Road, Edinburgh EH8 8YS.'

MANCHESTER GARAGES LTD. (Ford Motor Dealers) Six months ended 30th June, 1977 RECORD TRADING PROFIT Table with columns for 30/6/77, 30/6/78, and 31/12/76. Rows include Group sales, Group trading profit, Group net profit, Dividend Ordinary, and Interim dividend.

Chesterfield Properties logo and text: 'Chesterfield Properties'

Results for the year to 31st December 1976 Table with columns for 1976 and 1975. Rows include Profit before interest, Profit before tax, Profit after tax, Earnings per share, Ordinary Dividends per share, Directors' estimate of value of properties, and Bank Loans.

MENTS

LIDATED IN- P. Mr. W. J. managing director of TBA Industrial Products, has been appointed managing director of the Turner and Newall Alternative Materials and Fibres Unit, a new central organisation set up to accelerate the development of substitutes for asbestos and asbestos-based products. Mr. J. E. Heron, joint P. Mr. W. J. managing director of TBA Industrial Products, becomes its appointed managing director and Mr. S. Edward Rose (Telford) becomes its position of personnel director of that company. All three appointments are from September 1.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK has

Large vertical advertisement on the left edge of the page, including 'Australian Utah t-half SA83' and 'WIKFORM'.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS
First Bank System Inc. in \$13m. deal

MILWAUKEE, July 25. NATIONAL BANK OF Wisconsin has acquired the assets and liabilities of the troubled Midland National Bank for the equivalent of \$9.50 a share, giving the transaction a value of about \$13m. AP-DJ reports.

Gulf and Western shares hit by newspaper reports

By STEWART FLEMING

NEW YORK, July 25.

THE SHARES of Gulf and Western Industries can under pressure on the New York Stock Exchange to-day following newspaper allegations about the nature of a Securities and Exchange Commission investigation of the company's affairs.

Woolworths lifts payout on 6% profit rise

By Our Own Correspondent

JOHANNESBURG, July 25. WOOLWORTHS has shown impressive strength in increasing turnover by 9 per cent. and pre-tax profit by 6 per cent. in the second half of its financial year to March.

Trade unions meet on Motta, Alemagna crisis

BY PAUL BETTS

ROME.

THE THREE main Italian trade union confederations were meeting this evening to consider the mounting financial crisis facing Italy's two leading confectionery manufacturers, Motta and Alemagna, which also control a large network of motorway grills and snackbars throughout the country.

Profits setback at Exxon

By JAY PALMER

NEW YORK, July 25.

EXXON, the world's largest oil company, suffered an unexpected fall in second quarter 1977 earnings largely because of the negative impact of foreign exchange transactions. While revenue in the three months rose 131 per cent. to \$14.18bn.

Union Oil up 40%

UNION OIL of California reports net profits of \$75.2m. in the second quarter, a gain of 41.4 per cent. over the \$53.2m. of the second three months of 1976.

Corco stock

THE NYSE said trading in Commonwealth Oil Refining Company Inc.'s (CORCO) common stock, \$172 Cumulative Preferred stock Series A, and 41 per cent. Convertible Subordinated Debentures, due 1992, will be resumed on an interim basis to-day, reports AP-DJ from New York.

ARCO payout

ATLANTIC RICHFIELD COMPANY said it raised its quarterly dividend to 50 cents per share from 40 cents, reports Reuters from Colorado.

Growth seen at Textron

By OUR OWN CORRESPONDENT

NEW YORK, July 25.

TEXTRON, one of the original U.S. multi-industry conglomerates, this morning reported a continuing sharp improvement in earnings over the second quarter of 1977.

Table with financial data for LOCKHEED AIRCRAFT, INGENSOLL-RAND CO., and ASHLAND OIL. Columns include Revenue, Profits, Per Share, and Share dil. for various periods.

Table with financial data for SCREERING-PLUGH, SQUIBB CORPORATION, and LONE STAR INDUSTRIES. Columns include Revenue, Profits, Per Share, and Share dil.

Table with financial data for U.S. GYPSUM CO., FRIEHAUF CORP., and U.S. INDUSTRIES. Columns include Revenue, Profits, Per Share, and Share dil.

Table with financial data for BRUNSWICK CORP., FRANKLIN MINT CORP., and BULLINGHAM CORP. Columns include Revenue, Profits, Per Share, and Share dil.

Table with financial data for CROCKER NAT. CORP., KENNECOTT COPPER, and AMER. HOSPITAL SUPPLY. Columns include Revenue, Profits, Per Share, and Share dil.

Table with financial data for EURO BONDS, AMER. HOSPITAL SUPPLY, and ABITIBI PAPER CO. Columns include Revenue, Profits, Per Share, and Share dil.

THE biggest fixed interest rate Japanese Yen loan to be extended abroad by Japanese financial institutions has just been signed. A consortium of seven Japanese trust banks led by Mitsubishi Trust and Bank is leading Hydro Quebec, Y20bn. for 15 years at an interest rate of 8.6 per cent.

TORO ASSICURAZIONI

SOCIETA PER AZIONI Company's Capital: Lit.15,000m. fully paid. Company at the Turin Tribunal Chancery 49/1883 under Soc. No. 230 V-4-21F. Headquarters: 10121 TURIN - Via Ardesiovia 16.

Financial Year 1976

On the 29 June 1977 the Company's Annual General Meeting of the Shareholders approved, in the ordinary session, the Balance Sheet and the Profit and Loss Statement for the financial year, which shows a profit of Lit.1,831,788,758 allowing the distribution of a dividend of Lit.100 per share, both ordinary and preferential, payable as from 4 July 1977.

This advertisement appears as a matter of record only

THE KENYA FURFURAL COMPANY LIMITED

whose obligations will be guaranteed by the GOVERNMENT OF THE REPUBLIC OF KENYA

Guinness Mahon & Co. Limited has arranged £4,650,000 medium term loan

guaranteed by The Export Credits Guaranteed Department

funds provided by Bank of Scotland

and 5,880,000 European Units of Account long term loan

funds provided by European Investment Bank

both loans to assist in financing the design and commissioning of a chemical plant at Eldoret in the Republic of Kenya

Table with financial data for CONTINENTAL CORP., BLACK & DECKER MFG., AVON PRODUCTS, UNITED BRANDS, WALT DISNEY PROD., UNION CAMP CORP., TRANS UNION CORP., KIMBERLY-CLARK, S. CALIFORNIA EDISON, BRISTOL-MYERS CO., and BAXTER TRAVENOL LABS. Columns include Revenue, Profits, Per Share, and Share dil.

FINANCIAL AND COMPANY NEWS

MBB hopes to maintain earnings this year

Messerschmitt-Bölkow-Bornbusch (MBB) ... Ludwig Bolkow, who was 66 last month, Dr. Bolkow has long been recognised in the industry not only as a skilled, practical engineer but as one with an office...

MUNICH, July 25.

Slowdown dampens hopes at Flick

FRANKFURT, July 25. THERE IS nothing as coy when it comes to discussing business as the directors of West German close companies. While this applies in fair measure to the men at the top of Dr. Friedrich Flick's industrial empire, they opened up sufficiently last week to give a tantalising peep into the group, which among other things, own Dynamit Nobel and the Bruders Group.

INTERNATIONAL TERM LOANS Sentiment back in market

BRANDT and the loan is guaranteed by the Korea Exchange Bank. The Algerian state chemical group of banks SNIC has just raised an international \$14m. for six years at a spread of 11 per cent over Libor. This Banco Nacional de Cuba loan is complementary to a \$30m. one it raised last March on the same terms.

trade is borrowing \$100m. for seven years at a spread of 1 1/2 per cent over Libor. Lead manager is Citicorp and the money is earmarked for the completion of the liquefied natural gas plant at Arzew, known as LNGI. Sonatrach is also believed to be borrowing \$54m. on similar terms to finance the cost of building a jubot plant at Arzew. Lead managers are Citicorp Westdeutsche Landesbank Girozentrale and the loan is complementary to 'export credits from West Germany and Austria.

Plywood maker beats the trend

TAAL, one of Israel's three big plywood producers beats the building trend with an increased profit for 1976. The board recommends a final dividend of 5 per cent. An interim dividend of 5 per cent was already paid and the stock dividend of 30 per cent distributed in 1976 (none in 1975) reports our Tel Aviv correspondent. Consolidated sales in 1976 increased by 50 per cent to \$8.7m. and turnover this year should reach \$13m. Turnover between January and June 1977 came to \$5.3m.

GOLD FIELDS GROUP DS PROPERTY COMPANY LIMITED

incorporated in the Republic of South Africa. PRIMARY ANNOUNCEMENT OF RESULTS. Consolidated profit for the year ended 30 June 1977

Table with 2 columns: Year ended 30 June 1977, Year ended 30 June 1976. Rows include: Land and township sales, Investments, Buildings and equipment, Royalties, etc.

published in advance of the annual report which is circulated to members in September 1977. Land and township sales includes the sum of R630,000 as compensation for land expropriated. Claims remain outstanding. Royalties comprises income flowing from the final Jub Mine and gold royalties from the sale of tin shaft development dump.

DECLARATION OF DIVIDEND of 8.0 cents per share in respect of the year ended been declared in South African currency, payable to be at the close of business on 12 August 1977. Reported on or about 19 September 1977. Payment of the dividend is obtainable for offices and the London Office of the company. Payment of the dividend in South African currency by United Kingdom Registrar must be received by the share 12 August 1977 in accordance with the above terms. Members will be closed from 13 to 19 August 1977.

By order of the board, C. E. WENNER, H. J. GREEN, Joint London Secretaries.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

Table listing various Eurodollar bond prices and mid-day indications for different currencies and maturities.

Advertisement for Republic of Austria bonds. \$100,000,000. \$50,000,000 Seven Year 7.80% Bonds Due 1984. \$50,000,000 Fifteen Year 8% Bonds Due 1992. Interest payable July 15 and January 15. Principal and interest payable in United States dollars. Morgan Stanley & Co., Kuhn Loeb & Co., Creditanstalt-Bankverein, etc.

Advertisement for ARACRUZ CELULOSE S.A. Rio de Janeiro. US \$ 15,000,000 Medium Term Loan. GUARANTEED BY BANCO NACIONAL DO DESENVOLVIMENTO ECONOMICO. MANAGED BY DEN NORSKE CREDITBANK, SKANDINAVISKA ENSKILDA BANKEN, SVENSKA HANDELSBANKEN. PROVIDED BY Den norske Creditbank (Luxembourg) S.A., Nordfinanz-Bank Zurich, Nordic Bank Limited, Scandinavian Bank Limited, Skandinaviska Enskilda Banken, Svenska Handelsbanken. AGENT BANK DEN NORSKE CREDITBANK

Profit-taking brings index down 9.2 \$ very weak

BY OUR WALL STREET CORRESPONDENT

THE STOCK MARKET rally of the past few trading sessions came to a halt on Wall Street today...

JOHANNESBURG—Golds were mostly steady at higher levels reached on former Bullion indications...

NEW YORK, July 26. The U.S. dollar fell to a further record low against the West German D-mark in the foreign exchange market yesterday...

PARIS—The dollar fell to a further record low against the West German D-mark in the foreign exchange market yesterday...

GOLD MARKET table with columns for Gold Bullion, Gold Bars, and various international gold prices.

FOREIGN EXCHANGES table showing exchange rates for various currencies like the Swiss Franc, Japanese Yen, and British Pound.

OTHER MARKETS Canada weaker... U.S. Steel fell \$1 to \$58 and...

MONDAY'S ACTIVE STOCKS... U.S. Steel 58, Ford 42, General Motors 45...

EXCHANGE CROSS-RATES... London 1.48, New York 1.48, Paris 1.48...

EURO-CURRENCY INTEREST RATES... Sterling 10-11, U.S. Dollar 10-11...

OTHER MARKETS... Argentina 202.52, Brazil 100.00...

INDICES table showing Dow Jones, Standard & Poors, and various regional indices.

OVERSEAS SHARE INFORMATION table listing various international stocks and their prices.

GERMANY table listing German stocks and their market performance.

TOKYO table listing Japanese stocks and their market performance.

AUSTRALIA table listing Australian stocks and their market performance.

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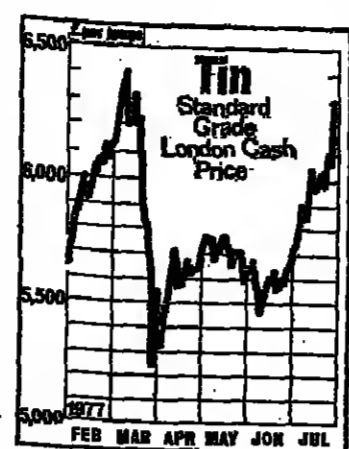
OVERSEAS SHARE INFORMATION table listing various international stocks and their prices.

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MINING AND RAW MATERIALS

Tin higher as supply shortage tightens

TIN PRICES rose strongly again on the London Metal Exchange yesterday. Standard grade cash tin rose by £142.5 to £2,307.5...



ment as to why Kennecott chose to cut its U.S. domestic copper price by 3 cents to 65 cents a pound last week...

Late rally cuts coffee decline

LAST WEEK'S fall in coffee futures prices was extended on the London terminal market yesterday, and nearby positions closed over £100 a tonne lower...

Downturn in cocoa prices

By Our Commodities Staff AFTER STAGNATION a modest technical rally yesterday morning...

Malaysian Palm Oil Growth pangs for a new industry

members will allocate an increasing portion of the production for domestic requirements. But the worry among processors has persisted...

wheat tonnes

Parkes outside the EEC outlet for some expected bumper crop of 6.5m tonnes last year...

More feed price cuts possible

BY CHRISTOPHER PARKES FURTHER cuts in the price of animal feedstuffs could follow those announced yesterday...

America crushes less soya

U.S. production of soymeal and cottoseed cake fell last month. The mills crushed 56m bushels of beans compared with 61m in May and almost 75m in June...

COMMODITY MARKET REPORTS AND PRICES

Commodity market reports and prices for various goods including tin, copper, and other metals.

Table with columns for Commodity, Unit, and Price. Includes items like Tin, Copper, and various oils.

PRICE CHANGES

Table showing price changes for various commodities such as rubber, sugar, and grains.

of the worst wounds...

Advertisement text discussing health and welfare issues, mentioning 'wounds' and 'welfare'.

COFFEE

COFFEE market report detailing prices for various coffee grades and market conditions.

GRAINS

GRAINS market report covering wheat, barley, and other grain commodities.

SILVER

SILVER market report discussing silver prices and market trends.

U.S. Markets

U.S. Markets section providing news and price information for the American market.

COFFEE AND COCOA FALL; SUGAR EASY

Summary of market movements for coffee, cocoa, and sugar.

WOL FUTURES

WOL FUTURES market report covering wool prices and market activity.

FINANCIAL TIMES

FINANCIAL TIMES section containing various financial news items and market data.

Advertisement for 'WELFARE SOCIETY' with text: 'The ones who don't show... Welfare Society'.

STOCK EXCHANGE REPORT
Broad technical rally under lead of British Funds
Index regains 5.7 at 437.2—Speculative stocks active

Account Dealing Dates
Option
First Declared Last Account
Dealings Last Dealings Day
July 11 July 21 July 22 Aug. 2

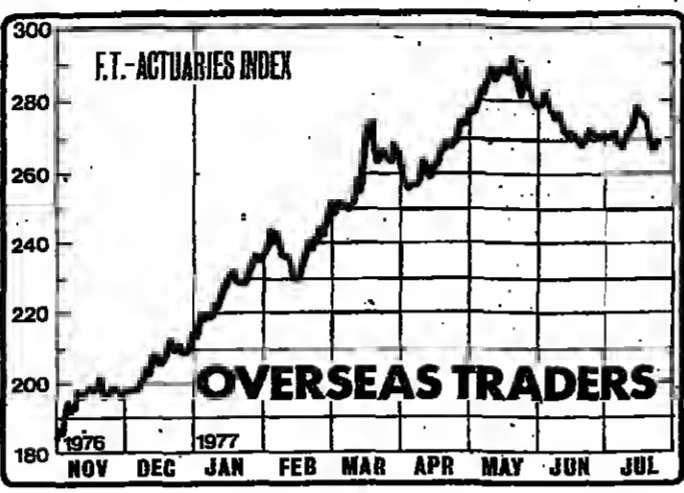
was otherwise confined largely to the shorter maturities which, in the absence of any announcement about a new tap issue, thought possibly to be in the offing, made headway to the extent of 1 before stalling at the close.

subject to profit-taking towards the end of last week made up some of the lost ground yesterday. United Scientific gained 6 to 168p, while rises of 4 were seen in Electrocomponents, 185p, and Racal, 489p, after 488p, the last week's interest in the chairman's confident statement contained in the report and accounts. Leading Electricians tended better where changed. GEC improved 2 to 200p, while rises of 2 were seen in EML, 214p, after 215p, and BICC 117p.

organisation, particularly Renewed bid hopes lifted Redfern National Glass 7 to 198p. Motors and Distributors had a fair share of firm spots. Heron featured with a jump of 7 to 67p, while BRF improved similarly to 88p, with the help of Press comment. Podens reflected the chairman's optimistic statement with a rise of 21 to 49p and Manchester Garages edged up 1 to 164p on the substantially increased profits. Arlington rose 7 to 79p in front of 10-day's preliminary figures, while Clayco Devandev, 95p, and Lonkers, 40p, put on 2 and 4 respectively.

holding. Lofts, still reflecting Press comment, picked up 2 more at 46p. Textiles had a mixed appearance. Wood Eastlow moved up 2 to 84p with the help of Press comment, but Cawdard, 27p, and Homfray, 50p, both finished that much cheaper.

awaiting to-day's interim figures, B.L.T. industries were fairly active and gained 5 to 210p. Asian Frontier featured Pleotations with a jump of 40 to 230p in response to further speculative demand in a restricted market. Other Tea shares moved better in sympathy. Warren Plantations rose 4 to 182p, while gains of around 10p were seen in Western Downs, 130p, and Williamson, 165p. Rubbers had Bradwall (FMS) marginally cheaper at 23p ex the scrip issue.



REYROLLE PARSONS, helped by Press comment on the Drax B power plant contract, rose 5 to 169p. Elsewhere, Decca A hardened 5 to 319p.

Siebens strong again
Oils sported several good features outside of the recognised leaders. Siebens (U.K.) continued to feature on speculation about the company's Brae field prospect following last week's deal with Chevron up 65 last week Siebens surged further ahead to 288p, up 19. Attock were highlighted by week-end Press comment and rose 10 to 108p during market hours.

Rally in Golds
South African Golds moved ahead for the first time in four successive trading days in the wake of the higher bullion price which followed the continuing pressure on the U.S. dollar.

Extremely quiet conditions obtained in the investment currency market again end the premium, after fluctuating modestly between 112 and 111 per cent, settled marginally lower on the day at 111 1/2 per cent. Yesterday's SE conversion factor was 0.7138 (0.7148).

Composite Insurances took a modest turn for the better after favourable week-end comment. General Accident put on 3 to 185p and Sun Alliance 5 to 439p. Elsewhere, Willis Faber were favoured at 250p, up 10.

Modest gains were recorded throughout Stores. With the help of week-end Press comment, W. H. Smith A improved 5 to 540p, while Marks and Spencer added 2 to 116p as did House of Fraser, at 112p, and L.D.S. at 64p.

two-day gain of 12 1/2 to a 1977 peak of 132p.

Lipton bid
An erratic market last week on the bid situation, Lipton continued last Thursday's advance that was prompted by news that talks with Lex were still taking place and jumped to 106p on yesterday morning's details of an agreed bid of 107 1/2 cash per Lipton share before profit-taking.

South African Golds moved ahead for the first time in four successive trading days in the wake of the higher bullion price which followed the continuing pressure on the U.S. dollar.

Gilts strengthen
With easy conditions in the Money Market favourable to buyers of gilt-edged, the resilient trend which emerged in the Funds midway through the previous week persisted here yesterday. Eschequer 9 1/2 per cent, 1982, highly recommended in a broker's investment advice last Friday and which will be dealable in special month. Improved next and only 11mo to-day, 11 1/2 per cent, 1982, considerable interest again in close a point higher at 9 1/2. Treasury 13 per cent, 1983, continued to move in sympathy and closed similarly higher at 10 1/2. Demand

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FINANCIAL TIMES STOCK INDEX
Table with columns for Date, Government, Fixed Interest, Industrial Ordinary, Gold Mines, Ord. Div. Yield, etc.

HIGHS AND LOWS
Table with columns for Stock, High, Low, etc.

ACTIVE STOCKS
Table with columns for Stock, Denom., No. of Shares, Closing Price, Change, etc.

NEW HIGHS AND LOWS FOR NEW LOWS
Table with columns for Stock, High, Low, etc.

RISES AND YESTERDAY
Table with columns for Stock, Rise, Yesterday, etc.

ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office
OPERA & BALLET
THEATRES
THEATRES
THEATRES

RECENT ISSUES

Table with columns for Issue Name, Price, etc. Includes sections for EQUITIES, FIXED INTEREST STOCKS, and RIGHTS OFFERS.

FT-ACTUARIES SHARE INDICES

Table with columns for Equity Groups, Mon. July 25, 1977, etc. Includes sections for EQUITY GROUPS and FIXED INTEREST YIELDS.

Handwritten Arabic text in a box at the top right.

AUTHORISED UNIT TRUSTS

Table of authorised unit trusts including Brown Shipley & Co. Ltd., Guardian Royal Ex. Unit Mgrs. Ltd., Henderson Administrators, and various other fund managers with their respective unit values and performance metrics.

Table titled 'BASE LENDING RATES' listing various banks and their interest rates for different types of deposits and loans.

Advertisement for 'THE LIMBLESS, LOOK TO YOU FOR HELP' featuring a photograph of a man and text describing the services of the British Limbless Ex-Services Men's Association.

OFFSHORE AND OVERSEAS FUNDS

Table of offshore and overseas funds including Fidelity Investments, Keybank, and various international investment funds with their assets and performance.

INSURANCE, PROPERTY, BONDS

Table of insurance, property, and bond offerings from various providers like Abbey Life, Equity & Law Life, and others, listing policy details and rates.

Advertisement for 'CLIVE INVESTMENTS LIMITED' and 'INSURANCE BASE RATES' with contact information and a list of insurance products.

FT SHARE INFORMATION SERVICE

Exporting... PAYMENT IN STERLING... Interested? Talk to INTERNATIONAL FACTORS LIMITED

BRITISH FUNDS... (List of various funds with columns for High, Low, Stock, Price, Div, Yield, etc.)

INTERNATIONAL BANK... (Table with columns for Stock, Price, Div, Yield, etc.)

COMMONWEALTH & AFRICAN FUNDS... (Table with columns for Stock, Price, Div, Yield, etc.)

AMERICANS... (Table with columns for Stock, Price, Div, Yield, etc.)

CANADIANS... (Table with columns for Stock, Price, Div, Yield, etc.)

BANKS AND HIRE PURCHASE... (Table with columns for Stock, Price, Div, Yield, etc.)

SEKERS, WINES AND SPIRITS... (Table with columns for Stock, Price, Div, Yield, etc.)

FOREIGN BONDS & RAILS... (Table with columns for Stock, Price, Div, Yield, etc.)

AMERICANS... (Table with columns for Stock, Price, Div, Yield, etc.)

BUILDING INDUSTRY - Continued... (Table with columns for Stock, Price, Div, Yield, etc.)

BUILDING INDUSTRY - TIMBER AND ROADS... (Table with columns for Stock, Price, Div, Yield, etc.)

SEKERS, WINES AND SPIRITS... (Table with columns for Stock, Price, Div, Yield, etc.)

FOREIGN BONDS & RAILS... (Table with columns for Stock, Price, Div, Yield, etc.)

AMERICANS... (Table with columns for Stock, Price, Div, Yield, etc.)

DRAPERY AND STORES - Continued... (Table with columns for Stock, Price, Div, Yield, etc.)

DRAPERY AND STORES... (Table with columns for Stock, Price, Div, Yield, etc.)

SEKERS, WINES AND SPIRITS... (Table with columns for Stock, Price, Div, Yield, etc.)

FOREIGN BONDS & RAILS... (Table with columns for Stock, Price, Div, Yield, etc.)

AMERICANS... (Table with columns for Stock, Price, Div, Yield, etc.)

ENGINEERING - Continued... (Table with columns for Stock, Price, Div, Yield, etc.)

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SEKERS, WINES AND SPIRITS... (Table with columns for Stock, Price, Div, Yield, etc.)

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AMERICANS... (Table with columns for Stock, Price, Div, Yield, etc.)

ENGINEERING - Continued... (Table with columns for Stock, Price, Div, Yield, etc.)

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FOREIGN BONDS & RAILS... (Table with columns for Stock, Price, Div, Yield, etc.)

AMERICANS... (Table with columns for Stock, Price, Div, Yield, etc.)

TRIALS—Continued

Table of stock prices for various companies, including Motorcycles, Commercial Vehicle, Components, Garages and Distributors, Newspapers, Publishers, Paper, Printing, Advertising, and Property.

MOTORS, AIRCRAFT TRADES

Table of stock prices for companies in the Motors and Aircraft Trades sector.

PROPERTY—Continued

Table of stock prices for various property-related companies.

TRUSTS—Continued

Table of stock prices for various trusts.

TRUSTS—Continued

Table of stock prices for various trusts.

Advertisement for YASUDA TRUST AND BANKING, London Branch, 01-628 5721.

MINES—Continued

Table of stock prices for various mining companies, including Central African, Australian, Tins, Copper, and Miscellaneous.

SHIPBUILDERS, REPAIRERS

Table of stock prices for shipbuilders and repairers.

SHIPPING

Table of stock prices for shipping companies.

SHOES AND LEATHER

Table of stock prices for shoes and leather companies.

SOUTH AFRICANS

Table of stock prices for South African companies.

TEXTILES

Table of stock prices for textile companies.

PROPERTY

Table of stock prices for property companies.

TORACOS

Table of stock prices for tobacco companies.

TRUSTS, FINANCE, LAND

Table of stock prices for trusts, finance, and land companies.

TEAS

Table of stock prices for tea companies.

MINES

Table of stock prices for mining companies.

CENTRAL RAND

Table of stock prices for Central Rand companies.

EASTERN RAND

Table of stock prices for Eastern Rand companies.

FAR WEST RAND

Table of stock prices for Far West Rand companies.

O.F.S.

Table of stock prices for O.F.S. companies.

FINANCE

Table of stock prices for finance companies.

DIAMOND AND PLATINUM

Table of stock prices for diamond and platinum companies.

NOTES

Notes section containing various financial notices, company announcements, and market information.

REGIONAL MARKETS

Table of stock prices for regional markets, including Ireland and other areas.

OPTIONS

Table of stock prices for options, including 3-month call rates.

SURANCE

Table of stock prices for insurance companies.

THE MOST EFFICIENT AND WIDELY USED LORRY LOADER... GEORGE COHEN MACHINERY LTD

Now more than ever it pays to own RENTIG... RENTIG Nationwide Trailer R... and Contract Hire

Government allocates £100m. more to British Leyland

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE GOVERNMENT has made another £100m. available to British Leyland, but the drawing down of the money will depend on evidence of progress towards the reform of industrial relations.

itself that sufficient progress on industrial relations is being maintained at each stage at which the company seeks to draw on the new tranche."

of factors, including new facilities and better working practices. The allocation announced by Mr. Varley yesterday is only half the £200m. envisaged at this

workforce to agree to labour relations reforms. It is difficult for the company to insist that industrial relations reforms are vital to its survival when the Government is seen to be pumping in vast sums of money.

Parliament, Page 12 Turnbull chooses Iran, Leyland reassures component manufacturers, Page 8

Director arranged Ryder payment - Reed

BY MARGARET REED

MR. ROBERT BILLINGSLEY, until recently chief executive of Reed Paper, a Canadian subsidiary of Reed International, arranged for Reed Paper to repay the controversial £100,000 (\$49,500) payment made to Lord Ryder, Reed International's former chairman, by Canadian Forest Products.

Departure Lord Ryder, who will soon retire from the National Enterprise Board, said early today: "I have read the statement issued today by Reed International Limited. While I have no personal knowledge of many of the matters referred to, I note that the statement is in no way at variance with the statement I made on July 11 to which I have nothing to add."

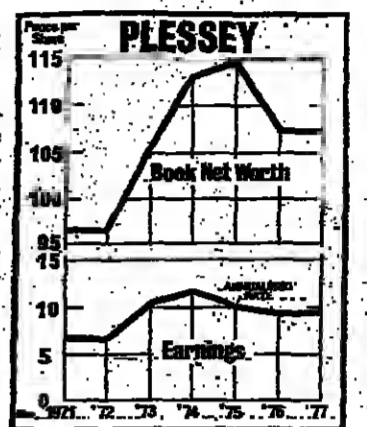
Beneficial According to Reed International, Mr. Billingsley subsequently arranged for Canadian Forest to pay £100,000 to Lord Ryder as a reimbursement by Reed Paper.

THE LEX COLUMN

Eurobonds shrug off weak \$

The U.S. dollar took another battering on the foreign exchange markets yesterday, touching a new low against most major European currencies, but it caused scarcely a ripple in the dollar sector of the Eurobond market.

Index rose 5.7 to 437.2



When the dollar has come under serious pressure previously, dollar Eurobonds have quickly suffered through switching by investors into DM and Swiss bonds to protect themselves. But rather surprisingly Eurobond investors have shrugged off the dollar's persistent weakness over the last month.

There are plenty of explanations for the market's sanguine attitude to the dollar's current problems. It is flush with funds at the moment, loan demand is slack, potential corporate borrowers are pretty liquid, and there is plenty of new money coming into the market in the form of interest and principal repayments on outstanding bonds-Orion Bank recently estimated that \$6.5bn. would flow from this source in 1977.

market in such loans. This second restores bank liquidity mobilises the cash re-investing institutions, be that Britain's institutionally-oriented of savings needs just of stimulant. A not guarantee scheme to help small businesses anti-pollution spend even brought small prania to the home m a triple-A rating.

PLESSEY "International str most important achievements placed to continue trend," enthuses release accompanying annual report. "1977 still under pressure been a tough year," the special report employees, presumably aim of curbing expenditures. Two ambitious annual report itself muted line between extremes, indicating rethinking of group order to open the way. Thus, Plessey is restore equilibrium communications bus the Post Office order, while it is trying to better balance betw and private sector m has withdrawn from of "ineffective" prod Plessey has run growth since pre-reached £40m. in 11 still has half its sluggish home mark the public sector) increase was only 6 last year against 27 the export and over Exports remain very hit the longer term tives of venture capital more than make small business loans acceptable to banks; they have stimulated a secondary competitive areas.

Ministers in State sector talks

Financial Times Reporter

MR. DENIS HEALEY, the Chancellor of the Exchequer, and other Ministers will be meeting the chairmen of the main nationalised industries tomorrow to discuss the criticisms of Government relations with the State-owned industries made by a National Economic Development Office report last year.

This will be the first formal discussion by the two sides of the issues raised. Although consultations have been taking place at official level and in talks between individual chairmen and Ministers of their sponsor departments.

The subject of pay and prices after July 31 is also on the agenda for the meeting, which is one of a regular series of three to four-monthly meetings which are now held between Ministers and nationalised industry chairmen.

Weather UK TO-DAY COOL, showery with sunny intervals. London, S.E., Cent. S. and Cent. N. England, E. Anglia, E. Midlands, E. England, scattered showers. Max. 18C (64F).

Yorkshire Miner editor released on £2,000 bail

BY PAULINE CLARK, LABOUR STAFF

MR. MAURICE JONES, the mine-workers' union editor who returned to Britain over the week-end after seeking political asylum in East Germany, was released yesterday on £2,000 bail and on condition that he surrendered his passport.

After efforts over the week-end failed to achieve normal working at the North London depot—the local sorting office for the Grumwick factory—the date of a meeting between the area's businessmen and Sir William Ryland, chairman of the Post Office, was brought forward to late last night.

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Britain confident of winning JET

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT BRUSSELS, July 25.

THE BRITISH Government appeared increasingly confident today that it can win the hacking of its Common Market partners for its demand that the JET thermo-nuclear fusion project should be built at Culham Research Laboratory near Oxford.

One obstacle yet to be surmounted is the German Government's strong support for Garching. Another is the attitude of the French Government, which indicated recently that it is losing interest in the fusion research which JET entails and would prefer to pursue an alternative programme under way at its national research facility in Cadarache.

Channel reserves have so far been discovered, some of this in the South Western Approaches and in other areas where boundary lines have still to be agreed with Norway and Ireland.

It is thought that a further 1.5bn. to 2bn. tonnes still remains to be discovered, some of this in the South Western Approaches and in other areas where boundary lines have still to be agreed with Norway and Ireland.

Government intervenes in RTZ case

BY PAUL CHEESBRIGHT

THE GOVERNMENT has intervened in the legal struggle being waged by five Rio Tinto-Zinc Corporation directors and two other executives to avoid giving evidence in a U.S. lawsuit brought by power utilities against Westinghouse Electric Corporation for cancelling uranium delivery contracts.

Mr. Burton revealed that the Government may wish to support RTZ's appeal to the Lords. It may also seek from the U.S. Government a discharge of the immunity order granted to the RTZ executives last Monday by Judge Merhige of the Federal District Court of Virginia, which is hearing the utilities-Westinghouse case.

Lord Denning said that if an appeal was going to be made it should have been made a long time ago. He made no comment on submissions of Mr. Peter Gibson, representing the Attorney-General.

Mr. Gibson said that the U.S. Government wanted evidence for grand jury proceedings which are taking place in the U.S. on an anti-trust case. He argued that to use letters rogatory (the legal formula under which RTZ executives would give evidence in the U.S. court) of civil proceedings for criminal proceedings was contrary to The Hague Convention of 1965.

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